

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| THE APPLICATION OF BLUE GRASS ENERGY |) | |
| COOPERATIVE CORPORATION FOR AN |) | CASE NO. |
| ADJUSTMENT IN ITS ELECTRIC RATES |) | 2008-00011 |

O R D E R

On April 11, 2008, Blue Grass Energy Cooperative ("Blue Grass") tendered an application for authority to increase its base rates by \$7,838,023, a 9.00 percent increase over its normalized revenues. Blue Grass proposed that its requested increase in rates be effective for service rendered on and after May 11, 2008. To determine the reasonableness of Blue Grass's proposal, the Commission suspended the proposed rates, pursuant to KRS 278.190(2), for 5 months from their effective date up to and including October 10, 2008. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), and Troy and Leigh Roach ("the Roaches") were granted full intervention in this proceeding on January 22, 2008 and April 22, 2008, respectively.

Blue Grass is a consumer-owned rural electric cooperative organized pursuant to KRS Chapter 279 and engaged in the sale of electric energy to approximately 54,000 customers in Anderson, Bourbon, Bracken, Estill, Fayette, Franklin, Garrard, Grant, Harrison, Henry, Jackson, Jessamine, Madison, Mercer, Nelson, Nicholas, Pendleton, Robertson, Scott, Shelby, Spencer, Washington and Woodford counties. It is one of the

sixteen member distribution cooperatives that own and receive their wholesale power from East Kentucky Power Cooperative, Inc.

During the course of this proceeding, a procedural schedule was issued which provided for discovery on Blue Grass, intervenor testimony, discovery on the intervenor testimony, and a public hearing on August 12, 2008. Blue Grass responded to three rounds of discovery from Commission Staff and two rounds of discovery from the AG. The AG filed direct testimony on July 16, 2008.

On July 31, 2008, Blue Grass submitted a unanimous Settlement Stipulation and Recommendation ("Settlement") into which it had entered with the AG and the Roaches. It also filed a motion for an informal conference in accordance with 807 KAR 5:001, Section 4(4). After notice to all parties, an informal conference was held at the Commission's offices on August 7, 2008. The public hearing scheduled for August 12, 2008, was held as scheduled for the purpose of evaluating the reasonableness and the merits of the Settlement.

Under the provisions of the Settlement, which is appended hereto as Appendix A, Blue Grass will be granted a revenue increase of \$7,405,930, which is approximately \$432,000 less than the amount proposed in its application. The proposed effective date for the rates included in the Settlement is September 1, 2008. A unanimous Supplement and Addendum to the Settlement ("Supplement") was filed on August 12, 2008, to address the parties' agreement to change the Rate Schedule GS-3 (Residential and Farm Time-of-Day Rate) tariff in accordance with the revenue requirement in the Settlement and their agreement that the depreciation rates proposed

in Blue Grass's application are reasonable and should be adopted; however, it did not address the effective date of the new depreciation rates.

The matter of the effective date of the new depreciation rates was raised at the August 12, 2008 hearing, at which Blue Grass initially indicated a preference for having the rates effective retroactive to January 1, 2008. However, prior to the conclusion of the hearing, Blue Grass indicated that an effective date of September 1, 2008 for its depreciation rates would allow it an opportunity to meet the Times Interest Earned Ratio ("TIER") and other financial ratio requirements contained in its mortgage agreements for 2008, whereas it would likely not be able to meet those requirements if the depreciation rates were effective retroactive to January 1, 2008.

After careful review of the Settlement, the Supplement, and the complete record in this proceeding, and being otherwise sufficiently advised, the Commission finds that the \$7,405,930 revenue increase and the proposed rates provided for in the Settlement will result in fair, just, and reasonable rates for Blue Grass to charge for electric service. The Commission further finds that the Settlement and the Supplement are in the public interest and should be approved, effective September 1, 2008. Our approval of the Settlement and the Supplement is based solely on their reasonableness in toto and does not constitute approval of any rate-making adjustment or specific rate-making theory.

As to the effective date of the new depreciation rates agreed upon as part of the Supplement, the Commission has concerns about making the depreciation rates effective retroactive to January 1, 2008. Based on the requirements of its mortgage agreements with its primary lender, the Rural Utilities Service, Blue Grass must achieve

an average TIER of 1.25 for two of the most recent three calendar years. Since its TIER levels for 2006 and 2007 were 1.25 and 0.03, respectively, Blue Grass must achieve a TIER of 1.25 for 2008 to avoid a technical mortgage default. The evidence in this proceeding regarding Blue Grass's financial condition supports a Commission finding that increasing Blue Grass's depreciation rates, and its depreciation expense, 8 months prior to the effective date of its increased rates for electric service will only exacerbate its already weak financial condition. In an effort to provide an opportunity for Blue Grass to improve its financial condition, and hopefully avoid a technical default, the new depreciation rates should be effective on a prospective-only basis, concurrent with the effective date of this Order.

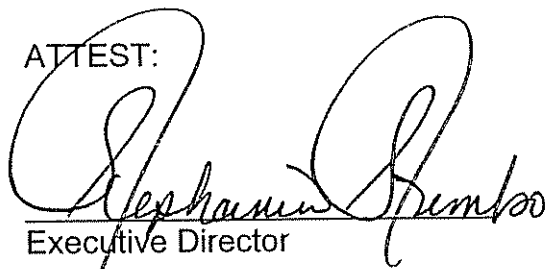
IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Blue Grass are denied.
2. The Settlement and the Supplement thereto, appended hereto as Appendix A, are incorporated into this Order as if fully set forth herein.
3. The Settlement and Supplement thereto are adopted and approved in their entirety.
4. The rates set forth in Appendix B are approved for service rendered by Blue Grass *on and after September 1, 2008*,
5. The revised depreciation rates, as agreed upon in the Supplement, are approved for implementation by Blue Grass effective September 1, 2008.
6. Within 20 days of the date of this Order, Blue Grass shall file new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were *authorized by this Order*.

Done at Frankfort, Kentucky, this 28th day of August, 2008.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00011 DATED AUGUST 28, 2008

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 18 2008

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF)
ADJUSTMENT OF RATES)
OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION) NO. 2008-00011

SUPPLEMENT AND ADDENDUM TO
SETTLEMENT STIPULATION AND RECOMMENDATION

This "Supplement and Addendum to Settlement Stipulation and Recommendation" is filed to supplement and add to the previously filed "Settlement Stipulation and Recommendation:" (which is incorporated by reference herein), as follows:

(1) The parties note and agree that the depreciation rates and amounts utilized in this application are in accordance with the methods sanctioned by the Commission and are fair, reasonable, just and should be adopted and implemented.

(2) The parties note and agree that the Rate Schedule "GS-3 (Residential and Farm Time-of-Day Rate)" filed with the Commission on August 12, 2008 is in accordance and consistent with the changes in revenue requirements in the Settlement Stipulation and Recommendation.

Dated: August 18, 2008.

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

BY: 

✓ 
TROY ROACH

KENTUCKY ATTORNEY GENERAL

BY: 

✓ 
LEIGH ROACH

RECEIVED

AUG 18 2008

FINANCIAL ANA

IN THE MATTER OF)
ADJUSTMENT OF RATES)
OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION) NO. 2008-00011

WHEREAS, the undersigned parties to this proceeding, being the applicant, Blue Grass Energy Cooperative Corporation (herein designated as “Blue Grass Energy”), the Attorney General of the Commonwealth of Kentucky (herein designated as “Attorney General”), Troy Roach and Leigh Roach (Intervenors) desire to document their agreement on a mutually satisfactory resolution of all issues in this proceeding which shall be referred to as the “Stipulation” and/or “Recommendation”: and

WHEREAS, the undersigned agree and understand that this Recommendation is not binding upon the Public Service Commission of Kentucky (herein designated as "Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to the rates of Blue Grass Energy. The parties hereto have expended significant and considerable efforts to reach the stipulations and agreements that form the basis for this Recommendation; and

WHEREAS, the parties, representing diverse interest and divergent viewpoints, agree that this settlement recommendation constitutes a reasonable resolution of all issues in this proceeding; and

-1-

for the Commission and the parties to expend considerable resources in litigation of the matters in this proceeding and will eliminate the possibility of, or need for, rehearing or appeals of the Commission's final order herein;

NOW THEREFORE, based upon the parties' participation in settlement discussions and the documents, exhibits and materials filed in the record of this case on file with the Commission, and upon the basis that the record documents adequately support this Stipulation and Recommendation, the undersigned parties do hereby stipulate and recommend the following:

1. Blue Grass Energy filed an application for a rate adjustment requesting a total increase of \$7,838,023.00. Subsequent examination of the calculations indicates a reduction of \$432,093.00 in the total increase of rates. The parties hereto agree that Blue Grass Energy should be permitted to adjust its rates in order to authorize it to recover more in annual revenue than it is recovering under its current rates, with such adjusted rates to be effective for service rendered after September 1, 2008 or such other date determined by the Public Service Commission. The attachments hereto reflect a stipulated and amended rate increase amount of \$7,405,930.00.

2. The proposed tariff revisions of Blue Grass Energy should be adopted as are reflected in the original application and subsequent filings as amended by this Stipulation and Recommendation. The attachments hereto consist of the amended tariffs which reflect the stipulated adjustment in rates.

3. It is the purpose and intent of the parties hereto that the revision in rates for Blue Grass Energy result in a minimum of a 2.0 TIER (times interest earned ratio) which is a reflection of the financial health of Blue Grass Energy, and the revision in rates as proposed by this Stipulation and Recommendation will result in such a TIER rating.

4. The parties agree that the revision of rates will provide a uniform rate for the customers

of Blue Grass Energy, whose service area includes three (3) consolidated electric cooperatives with three (3) different rate schedules. The parties agree to the revision and consolidation of rates schedules as set out in the attachments hereto.

5. Each party hereto waives all cross-examination of witnesses of the other parties hereto unless the Commission disapproves this Recommendation, and each party further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

6. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceedings, nor is it to be offered or relied upon in any other proceeding involving Blue Grass Energy or any other utility.

7. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

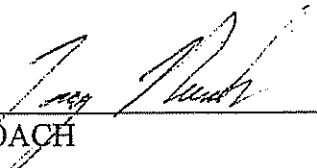
8. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any and all matters involved herein, and that, in such event, the terms of this Recommendation shall not be deemed binding upon the parties hereto, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto, the Commissioner or its Staff in any such hearing.

9. Attached to this Stipulation and Recommendation are proof of revenue sheets showing that the proposed rates will generate the proposed revenue increase to which the parties have agreed in paragraph (1) of this Stipulation.

10. The parties hereto agree that the foregoing Recommendation is reasonable and is in the

best interests of all concerned, and urge the Commission to adopt this Recommendation in its entirety.

Dated: July 27, 2008.




TROY ROACH

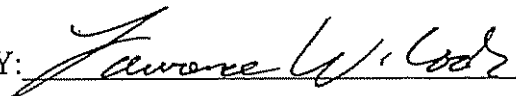


LEIGH ROACH

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

BY: 

KENTUCKY ATTORNEY GENERAL

BY: 

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011**

SETTLEMENT AGREEMENT WITH OAG

INDEX OF EXHIBITS

- I. Revised Statement of Operations and Balance Sheet
- II. Revised Rates of Return on Net Investment Rate Base and Capital Structure
- III. Revised Increase Allocation and Revised Rate Design
- IV. Current Rates and Proposed Rate for Current Rate Schedules
- V. Revenue Analysis for Current Rates and Proposed Rates for Current Rate Schedules
- VI. Proposed Rates for Combined Rate Schedules
- VII. Revenue Analysis for Proposed Rates for Combined Rate Schedules
- VIII. Tariff Sheets for Revised Rates

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00014
SETTLEMENT AGREEMENT WITH OAG

Exhibit I
Page 1 of 2

STATEMENT OF OPERATIONS ADJUSTED -AGREEMENT WITH OAG
CALENDAR YEAR 2007

| | Actual Test Year | Normalized Adjustments | Normalized Test Year | Agreement with OAG | Proposed Test Year | Increase Amount | Agreed Test Year |
|---------------------------------------|----------------------|---------------------------|-------------------------|-----------------------|-----------------------|--------------------|---------------------|
| Operating Revenues: | | | | | | | |
| Base rates | \$61,641,086 | \$5,350,524 | \$86,991,610 | - | \$86,991,610 | \$ 7,405,930 | \$84,397,540 |
| Fuel and surcharge | 15,046,677 | (15,046,677) | 0 | - | - | - | - |
| Other electric revenue | 2,306,801 | 279,466 | 2,586,267 | - | 2,586,267 | - | \$2,586,267 |
| | <u>98,994,564</u> | <u>(9,416,687)</u> | <u>89,577,877</u> | <u>-</u> | <u>89,577,877</u> | <u>7,405,930</u> | <u>96,983,807</u> |
| Operating Expenses: | | | | | | | |
| Cost of power: | | | | | | | |
| Base rates | 61,266,019 | 5,276,676 | 66,544,695 | - | 66,544,695 | - | \$66,544,695 |
| Fuel and surcharge | 15,046,679 | (15,046,679) | 0 | - | 0 | - | \$0 |
| Distribution - operations | 2,765,010 | 165,536 | 2,930,546 | - | 2,930,546 | - | \$2,930,546 |
| Distribution - maintenance | 4,366,837 | 48,378 | 4,415,215 | - | 4,415,215 | - | \$4,415,215 |
| Consumer accounts | 2,381,969 | 37,339 | 2,419,308 | - | 2,419,308 | - | \$2,419,308 |
| Customer service | 1,041,225 | 22,256 | 1,063,481 | - | 1,063,481 | - | \$1,063,481 |
| Sales | 0 | 0 | 0 | - | 0 | - | \$0 |
| Administrative and general | 4,183,659 | (266,259) | 3,917,400 | - | 3,917,400 | - | \$3,917,400 |
| | <u>91,051,398</u> | <u>(9,760,753)</u> | <u>81,290,645</u> | <u>0</u> | <u>81,290,645</u> | <u>-</u> | <u>81,290,645</u> |
| Total operating expenses | | | | | | | |
| Depreciation | 5,651,239 | 990,540 | 6,641,779 | - | 6,641,779 | - | \$6,641,779 |
| Taxes - other | 3,386 | 0 | 3,386 | - | 3,386 | - | \$3,386 |
| Interest on long-term debt | 4,793,634 | (29,272) | 4,764,362 | - | 4,764,362 | - | \$4,764,362 |
| Interest expense - other | 559,841 | (239,433) | 320,408 | - | 320,408 | - | \$320,408 |
| Other deductions | 316,537 | (310,592) | 5,945 | - | 5,945 | - | \$5,945 |
| Agreed OAG Adjustments | | | | (432,093) | (432,093) | - | (\$432,093) |
| | <u>102,376,035</u> | <u>(9,349,510)</u> | <u>93,026,525</u> | <u>(432,093)</u> | <u>92,594,432</u> | <u>-</u> | <u>92,594,432</u> |
| Total cost of electric service | | | | | | | |
| Utility operating margins | (3,381,471) | (67,177) | (3,448,648) | 432,093 | (3,016,555) | 7,405,930 | 4,389,375 |
| Nonoperating margins, interest | 79,579 | 0 | 79,579 | - | 79,579 | - | \$79,579 |
| Nonoperating margins, other | (1,620,847) | 1,620,847 | 0 | - | - | - | \$0 |
| Patronage capital credits | 294,591 | 0 | 294,591 | - | 294,591 | - | \$294,591 |
| | <u>(\$4,626,148)</u> | <u>\$1,553,670</u> | <u>(\$3,074,478)</u> | <u>\$432,093</u> | <u>(\$2,642,385)</u> | <u>\$7,405,930</u> | <u>\$4,763,545</u> |
| Net Margins | | | | | | | |
| | <u>0.03</u> | | <u>0.35</u> | | <u>0.45</u> | | <u>2.00</u> |
| TIER | | | | | | | |

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG

Exhibit I
Pag e2 of 2

| <u>ASSETS</u> | Actual Test Year | Adjustments to Test Year | Adjusted Test Year |
|--|---------------------|-----------------------------|-----------------------|
| <u>ASSETS</u> | | | |
| Electric Plant: | 172,635,904 | | 172,635,904 |
| In service | 7,831,343 | | 7,831,343 |
| Under construction | 180,467,247 | | 180,467,247 |
| Less accumulated depreciation | 39,049,560 | 973,220 | 40,022,780 |
| | 141,417,687 | (973,220) | 140,444,467 |
| Investments | 21,431,733 | | 21,431,733 |
| Current Assets: | | | |
| Cash and temporary investments | 1,840,369 | | 1,840,369 |
| Accounts receivable, net | 4,794,120 | | 4,794,120 |
| Material and supplies | 1,252,330 | | 1,252,330 |
| Prepayments and current assets | 496,644 | | 496,644 |
| | 8,383,463 | | 8,383,463 |
| Deferred debits & Net Change in Assets | 286,757 | 9,967,262 | 10,254,019 |
| Total | 171,519,640 | 8,994,042 | 180,513,682 |
| <u>MEMBERS' EQUITIES AND LIABILITIES</u> | | | |
| Margins: | | | |
| Memberships | 1,018,855 | 8,959,600 | 1,018,855 |
| Patronage capital | 40,249,133 | 8,959,600 | 49,208,733 |
| | 41,267,998 | | 50,227,588 |
| Long Term Debt | 100,150,077 | | 100,150,077 |
| Accumulated Operating Provisions | 5,440,539 | 34,442 | 5,474,981 |
| Current Liabilities: | | | |
| Short term borrowings | 13,200,000 | | 13,200,000 |
| Accounts payable | 8,255,474 | | 8,255,474 |
| Consumer deposits | 1,413,702 | | 1,413,702 |
| Accrued expenses | 1,117,213 | | 1,117,213 |
| | 23,986,389 | | 23,986,389 |
| Deferred credits | 674,647 | | 674,647 |
| Total | 171,519,640 | 8,994,042 | 180,513,682 |

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG

Exhibit II
Page 1 of 2

COMPUTATION OF RATE OF RETURE
December 31, 2008

| | <u>Actual Test Year</u> | <u>Adjusted Test Year</u> |
|------------------------------|-----------------------------|-------------------------------|
| Net margins | (\$4,628,148) | \$4,763,545 |
| Non-cash patronage dividends | 0 | 0 |
| Interest on long-term debt | <u>4,793,634</u> | <u>4,764,362</u> |
| Total | <u>165,486</u> | <u>9,527,907</u> |
| Net rate base | <u>144,605,503</u> | <u>143,633,189</u> |
| Rate of return | <u>0.11%</u> | <u>6.63%</u> |
| Equity Capitalization | <u>123,914,374</u> | <u>132,873,974</u> |
| Rate of return | <u>0.13%</u> | <u>7.17%</u> |

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG**

Exhibit II
Page 2 of 2

**Determination of Rate Base
December 31, 2007**

| | <u>Actual Test Year</u> | <u>Adjusted Test Year</u> |
|--|-----------------------------|-------------------------------|
| Gross rate base: | | |
| Total electric plant | \$180,467,247 | \$180,467,247 |
| Material and supplies (13 months average for test year) | 1,396,773 | 1,396,773 |
| Prepayments (13 months average for test year) | 596,352 | 596,352 |
| Working capital: 12.5% of operating expense less cost of power | <u>1,842,338</u> | <u>1,843,244</u> |
| | 184,302,710 | 184,303,616 |
| Deductions from rate base: | | |
| Accumulated depreciation | 39,049,560 | 40,022,780 |
| Consumer advances | <u>647,647</u> | <u>647,647</u> |
| Net rate base | <u>\$144,605,503</u> | <u>\$143,633,189</u> |

| | <u>Material</u> | <u>Prepayments</u> |
|---------------|-----------------|--------------------|
| December 2006 | 1,257,476 | 605,149 |
| January 2007 | 1,253,611 | 1,011,184 |
| February | 1,408,288 | 860,097 |
| March | 1,638,639 | 722,264 |
| April | 1,323,640 | 587,007 |
| May | 1,291,615 | 443,193 |
| June | 1,362,992 | 292,074 |
| July | 1,366,831 | 705,464 |
| August | 1,446,190 | 566,617 |
| September | 1,499,519 | 552,077 |
| October | 1,561,045 | 420,118 |
| November | 1,495,879 | 490,683 |
| December | 1,252,330 | 496,644 |
| Average | 1,396,773 | 596,352 |

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011

Exhibit III
Page 1 of 1

SETTLEMENT AGREEMENT WITH OAG

REVISED INCREASE AMOUNT, ALLOCATION AND RATE DESIGN

A. Revised Increase Amount

| | |
|------------------------------|-------------------|
| Filed Increase Amount | \$ 7,838,023 |
| Revised Increased Amount | <u>7,405,930</u> |
| Reduction in Increase Amount | <u>\$ 432,093</u> |

B. Allocation to Rate Classes - All Reduction Allocated to Residential Rate Class

| | |
|---|----------------------|
| Filed Revenue Requirements for Residential Farm & Non-Farm (GS-1) | \$ 67,532,322 |
| Filed Revenue Requirements for Off-Peak Marketing (EYS) (GS-2) | <u>126,375.0</u> |
| Subtotal | 67,658,697.0 |
| Reduction in Increase Amount | <u>432,093</u> |
| Revised Revenue Requirements | <u>\$ 67,226,604</u> |

C. Rate Design or Residential Rate Class (GS-1)

Billing Units

| | |
|-----------------------------------|-------------|
| Customer Charges - Sum of Monthly | 619,307 |
| Energy Charge kWh - GS1 | 805,422,653 |
| Energy Charge kWh - GS2 | 2,822,755 |

Revised Rates

| | |
|--|-------------------|
| Revised Revenue Requirements | \$ 67,226,604 |
| Revenue from Customer Charge of \$ 8.75 | <u>5,418,936</u> |
| Revenue to be Recovered from Energy Charge | \$ 61,807,668 |
| Energy kWh | 807,116,306 |
| Revised Energy Rate | <u>\$ 0.07658</u> |

Summary of Revised Energy Rates for Schedule GS-1

| | |
|---------------------------------|------------|
| Customer Charge per Month - GS1 | \$ 8.75 |
| Energy Charge per kWh - GS1 | \$ 0.07658 |
| Energy Charge per kWh - GS1 | \$ 0.04595 |

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
SETTLEMENT AGREEMENT WITH OAG

Exhibit IV
Page 1 of 4

| Rate Class | Present | Proposed | Percent Change | Average Usage | Present Rates | Proposed Rates | Increase | |
|---|--|---|---------------------------------|---------------|---------------|----------------|----------|---------|
| | | | | | | | Amount | Percent |
| Schedule GS-1, Residential, Farm and Non-Farm Customer Charge Energy Charge | \$ 5.44 \$ 0.06835 | \$ 8.75 \$ 0.07658 | 60.8% 12.0% | 1,427 | \$ 102.95 | \$ 118.00 | \$ 15.05 | 14.6% |
| Schedule R, Residential Customer Charge Energy Charge | \$ 5.53 \$ 0.07286 | \$ 8.75 \$ 0.07658 | 58.2% 5.1% | 1,249 | \$ 94.38 | \$ 104.38 | \$ 10.00 | 10.6% |
| Schedule A, Farm and Home Service Customer Charge Energy Charge | \$ 9.10 \$ 0.07451 | \$ 8.75 \$ 0.07658 | -3.8% 2.8% | 1,120 | \$ 92.53 | \$ 94.50 | \$ 1.97 | 2.1% |
| Schedule GS-2, Residential Marketing (ETS) Energy Charge | \$ 0.04101 | \$ 0.04595 | 12.0% | | | | | |
| Schedule R2, Residential Marketing (ETS) Energy Charge | \$ 0.04372 | \$ 0.04595 | 5.1% | | | | | |
| Schedule Rate 1, Residential Marketing (ETS) Energy Charge | \$ 0.04471 | \$ 0.04595 | 2.8% | | | | | |
| Schedule C-1, Commercial and Industrial Lighting Customer Charge Demand Charge - First 10 kW Demand Charge - Over 10 kW Energy Charge - First 3,000 kWh Energy Charge - Over 3,000 kWh | \$ 7.13 \$ - \$ 6.40 \$ 0.07272 \$ 0.06779 | \$ 25.00 \$ - \$ 7.00 \$ 0.07148 \$ 0.07148 | 250.6% 9.4% -1.7% 5.4% | 2,318 | \$ 194.77 | \$ 226.48 | \$ 31.71 | 16.3% |
| Schedule C, Small Commercial Customer Charge Demand Charge - First 10 kW Demand Charge - Over 10 kW Energy Charge | \$ 5.53 \$ - \$ 6.40 \$ 0.07729 | \$ 25.00 \$ - \$ 7.00 \$ 0.07148 | 352.1% 9.4% -7.5% | 1,784 | \$ 154.45 | \$ 174.31 | \$ 19.86 | 12.9% |
| Schedule Rate 2, Commercial and Small Power Customer Charge Demand Charge - First 10 kW Demand Charge - Over 10 kW Energy Charge | \$ 24.50 \$ - \$ - \$ 0.07617 | \$ 25.00 \$ - \$ 7.00 \$ 0.07148 | 2.0% NA -6.2% | 1,553 | \$ 142.83 | \$ 156.72 | \$ 13.90 | 9.7% |

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
SETTLEMENT AGREEMENT WITH OAG

Exhibit IV
Page 2 of 4

| Rate Class | Present | Proposed | Percent Change | Average Usage | Present Rates | Proposed Rates | Increase Amount | Percent |
|---|------------|------------|----------------|---------------|---------------|----------------|-----------------|---------|
| Schedule LP-1, Large Power | | | | | | | | 0 |
| Customer Charge | \$ 24.64 | \$ 50.00 | 102.9% | 41,494 | \$ 2,866.96 | \$ 2,914.24 | \$ 47.28 | 1.6% |
| Demand Charge | \$ 6.40 | \$ 7.50 | 17.2% | | | | | |
| Energy Charge | | | | | | | | |
| First 10,000 kWh | \$ 0.05723 | \$ 0.04650 | -18.7% | | | | | |
| Next 15,000 kWh | \$ 0.05036 | \$ 0.04650 | -7.7% | | | | | |
| Next 50,000 kWh | \$ 0.04461 | \$ 0.04650 | 4.2% | | | | | |
| Next 75,000 kWh | \$ 0.04225 | \$ 0.04650 | 10.1% | | | | | |
| All over 150,000 kWh | \$ 0.04050 | \$ 0.04650 | 14.8% | | | | | |
| Schedule L, Large Power Service | | | | | | | | |
| Customer Charge | \$ 30.00 | \$ 50.00 | 66.7% | 23,918 | \$ 2,118.73 | \$ 1,613.27 | \$ (505.46) | -23.9% |
| Demand Charge | \$ 3.26 | \$ 7.50 | 130.1% | | | | | |
| Energy Charge | | | | | | | | |
| First 50 kWh of billing demand | \$ 0.08038 | \$ 0.04650 | -42.1% | | | | | |
| Next 100 kWh of billing demand | \$ 0.07628 | \$ 0.04650 | -39.0% | | | | | |
| Over 150 kWh of billing demand | \$ 0.06611 | \$ 0.04650 | -29.7% | | | | | |
| Schedule Rate 8, Large Power Service | | | | | | | | |
| Customer Charge | \$29.44 | \$ 50.00 | 69.8% | 32,539 | \$ 2,460.29 | \$ 2,286.24 | \$ (174.04) | -7.1% |
| Demand Charge | \$8.03 | \$ 7.50 | -6.6% | | | | | |
| Energy Charge | \$0.05091 | \$ 0.04650 | -8.7% | | | | | |
| Schedule LP-2, Large Power | | | | | | | | |
| Customer Charge | \$ 24.64 | \$ 100.00 | 305.8% | 397,782 | \$ 23,194.29 | \$ 23,581.34 | \$ 387.05 | 1.7% |
| Demand Charge | \$ 6.40 | \$ 7.50 | 17.2% | | | | | |
| Energy Charge | | | | | | | | |
| First 3,500 kWh | \$ 0.05809 | \$ 0.04098 | -29.5% | | | | | |
| Next 6,500 kWh | \$ 0.04960 | \$ 0.04098 | -17.4% | | | | | |
| Next 140,000 kWh | \$ 0.04433 | \$ 0.04098 | -7.6% | | | | | |
| Next 200,000 kWh | \$ 0.04274 | \$ 0.04098 | -4.1% | | | | | |
| Next 400,000 kWh | \$ 0.04179 | \$ 0.04098 | -1.9% | | | | | |
| Next 550,000 kWh | \$ 0.04085 | \$ 0.04098 | 0.3% | | | | | |
| All over 1,300,000 kWh | \$ 0.03544 | \$ 0.04098 | 15.6% | | | | | |
| Schedule N, Industrial and Large Power | | | | | | | | |
| Customer Charge | \$ 277.18 | \$ 100.00 | -63.9% | 253,811 | \$ 15,185.55 | \$ 14,468.06 | \$ (717.49) | -4.7% |
| Demand Charge | \$ 4.46 | \$ 7.50 | 68.2% | | | | | |
| Energy Charge | | | | | | | | |
| First 425 kWh of billing demand | \$0.05037 | \$ 0.04098 | -18.6% | | | | | |
| Over 425 kWh of billing demand | \$0.04227 | \$ 0.04098 | -3.1% | | | | | |

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
SETTLEMENT AGREEMENT WITH OAG

Exhibit IV
Page 3 of 4

| Rate Class | Present | Proposed | Percent Change | Average Usage | Present Rates | Proposed Rates | Increase Amount | Percent |
|-------------------------------------|------------|------------|----------------|---------------|---------------|----------------|-----------------|---------|
| Schedule LPR1, Large Power Service | | | | | | | | 0 |
| Customer Charge | \$ 41.23 | \$ 100.00 | 142.5% | 262,330 | \$ 17,199.09 | \$ 15,036.53 | \$ (2,162.56) | -12.6% |
| Demand Charge | \$ 8.03 | \$ 7.50 | -6.6% | | | | | |
| Energy Charge | \$0.04832 | \$0.04098 | -15.2% | | | | | |
| Schedule B1, Large Industrial Rate | | | | | | | | |
| Customer Charge | 580.22 | \$1,000.00 | 72.3% | 1,944,000 | \$ 101,053.36 | \$ 101,051.71 | \$ (1.65) | 0.0% |
| Demand Charge | \$5.53 | \$6.22 | 12.5% | | | | | |
| Contract demand | \$8.03 | \$8.65 | 7.7% | | | | | |
| Excess demand | \$0.04278 | \$0.04148 | -3.0% | | | | | |
| Energy charge | | | | | | | | |
| Schedule B-2, Large Industrial Late | | | | | | | | |
| Customer Charge | \$1,097.42 | \$2,000.00 | 82.2% | 2,594,660 | \$ 129,513.33 | \$ 131,359.25 | \$ 1,845.92 | 1.4% |
| Demand Charge | \$5.53 | \$6.22 | 12.5% | | | | | |
| Contract demand | \$8.03 | \$8.65 | 7.7% | | | | | |
| Excess demand | \$0.03806 | \$0.03703 | -2.7% | | | | | |
| Energy charge | | | | | | | | |
| Schedule LPR-2, Large Power | | | | | | | | |
| Customer Charge | \$2,436.09 | \$2,000.00 | | 4,415,400 | \$ 225,592.14 | \$ 216,285.45 | \$ (9,306.69) | -4.1% |
| Demand Charge | \$5.53 | \$6.22 | 12.5% | | | | | |
| Contract demand | | \$8.65 | NA | | | | | |
| Excess demand | | | | | | | | |
| Energy charge | | | | | | | | |
| First 425 kWh billing demand | \$0.04481 | \$0.03703 | -17.4% | | | | | |
| All over 425 kWh billing demand | \$0.03709 | \$0.03703 | -0.2% | | | | | |
| Schedule Street Lighting | | | | | | | | |
| High Pressure Sodium | | | | | | | | |
| 70 W Ornamental | \$5.50 | \$9.00 | 63.6% | | | | | |
| 100 W Ornamental | \$7.16 | \$10.00 | 39.7% | | | | | |
| 250 W Ornamental | \$10.16 | \$13.25 | 30.4% | | | | | |
| 70 W Colonial | | | | | | | | |
| (15 foot mounting height) | \$8.35 | \$8.35 | 0.0% | | | | | |
| 200 W Cobra Head | | | | | | | | |
| (Aluminum pole) | \$12.21 | \$13.50 | 10.6% | | | | | |
| 100 W Cobra Head | | | | | | | | |
| (Aluminum pole) | \$8.94 | \$10.00 | 11.9% | | | | | |
| 100 W Shoebox Fixture | \$16.81 | \$16.81 | 0.0% | | | | | |
| 100 W Acorn Fixture | | | | | | | | |
| (Fiberglass pole) | \$16.28 | \$16.28 | 0.0% | | | | | |
| 100 W Colonial Fixture | \$13.75 | \$13.75 | 0.0% | | | | | |
| 400 W Cobra head | | | | | | | | |
| (Aluminum pole) | \$20.40 | \$20.40 | 0.0% | | | | | |

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
SETTLEMENT AGREEMENT WITH OAG

| Rate Class | Present | Proposed | Percent Change | Average Usage | Present Rates | Proposed Rates | Increase Amount | Percent |
|--|---------|----------|----------------|---------------|---------------|----------------|-----------------|---------|
| <u>Schedule Outdoor Lighting Service</u> | | | | | | | | 0 |
| <u>Mercury Vapor</u> | | | | | | | | |
| 175 W | \$5.64 | \$9.51 | 68.6% | | | | | |
| 400 W | \$8.92 | \$15.39 | 72.5% | | | | | |
| <u>High Pressure Sodium</u> | | | | | | | | |
| 100 W | \$5.51 | \$9.53 | 73.0% | | | | | |
| 250 W | \$8.37 | \$14.28 | 70.6% | | | | | |
| 400 W Halide Directional Flood | \$12.74 | \$14.50 | 13.8% | | | | | |
| 400 W Directional Flood | \$13.80 | \$15.25 | 10.5% | | | | | |
| 100 W Shoebox Fixture | \$16.81 | \$16.81 | 0.0% | | | | | |
| 100 W Acorn Fixture | | | | | | | | |
| (Fiberglass Pole) | \$16.28 | \$16.28 | 0.0% | | | | | |
| 100 W Colonial Fixture | \$13.75 | \$13.75 | 0.0% | | | | | |
| 400 W Cobra Head | \$20.40 | \$20.40 | 0.0% | | | | | |
| (Aluminum pole) | | | | | | | | |
| <u>High Pressure Sodium</u> | | | | | | | | |
| 175 W | \$9.51 | \$9.51 | 0.0% | | | | | |
| 400 W | \$15.39 | \$15.39 | 0.0% | | | | | |
| 200 W Cobra Head | \$12.21 | \$13.50 | 10.6% | | | | | |
| (Aluminum Pole) | | | | | | | | |
| 100 W Cobra Head | \$8.94 | \$10.00 | 11.9% | | | | | |
| (Aluminum Pole) | \$16.81 | \$16.81 | 0.0% | | | | | |
| 100 W Shoebox Fixture | \$16.28 | \$16.81 | 3.3% | | | | | |
| (Fiberglass Pole) | \$13.75 | \$13.75 | 0.0% | | | | | |
| 100 W Colonial | \$20.40 | \$20.40 | 0.0% | | | | | |
| 400 W Cobra Head | \$12.74 | \$14.50 | 13.8% | | | | | |
| (Aluminum Pole) | \$13.80 | \$15.25 | 10.5% | | | | | |
| 400 W Metal Halide Directional | \$9.53 | \$9.53 | 0.0% | | | | | |
| 400 W Directional Flood | \$14.28 | \$14.28 | 0.0% | | | | | |
| 100 W Open Bottom | \$1.00 | \$0.00 | -100.0% | | | | | |
| 250 W Open Bottom | | | | | | | | |
| Lights Requiring Separate Transformer | | | | | | | | |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

GS-1, Residential, Farm and Non-Farm

Rate 11 (N M)

| Description | Billing Delimiters | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|---|-----------------------|--------------------------|----------------------------------|----------------------------|-----------|------------------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 304,618 | \$1,635,799 | \$5.44 | \$1,657,122 | \$8.75 | \$2,665,408 |
| Energy charge per kWh | 434,562,009 | 27,789,708 | \$0.06635 | 29,702,313 | \$0.07658 | 33,278,759 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 29,425,507 | | <u>\$31,359,435</u> | | <u>\$35,944,166</u> |
| Fuel adjustment | | 3,291,503 | | | | |
| Environmental surcharge | | 2,567,357 | | | | |
| Total revenues | | <u>\$35,284,367</u> | | | | |
| Amount Percent | | | | \$1,933,928 6.57% | | \$4,584,731 14.62% |
| Average monthly bill Amount Percent | | \$96.60 | | \$102.95 \$6.35 6.6% | | \$118.00 \$15.05 14.6% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule R, Residential

Rate 12 (FC)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|----------------------------------|-------------------------|--------------------------|----------------------------------|--------------|-----------|--------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge, first 30 kwh | 143,375 | \$782,828 | \$5.53 | \$792,864 | \$8.75 | \$1,254,531 |
| Customer Charge Energy charge | 4,193,719 | | | | | |
| First 30 kwh | 174,838,533 | 11,968,338 | \$0.07286 | 12,738,736 | \$0.07658 | 13,710,290 |
| All over 30 kwh | 179,032,252 | | | 0 | | 0 |
| Billing adjustments | | | | | | |
| Total from base rates | | 12,751,166 | | \$13,531,599 | | \$14,964,821 |
| Fuel adjustment | | 1,343,716 | | | | |
| Environmental surcharge | | 1,109,376 | | | | |
| Total revenues | | \$15,204,258 | | | | |
| Amount | | | | \$780,433 | | \$1,433,222 |
| Percent | | | | 6.12% | | 10.59% |
| Average monthly bill | | \$88.94 | | \$94.38 | | \$104.38 |
| Amount | | | | \$5.44 | | \$10.00 |
| Percent | | | | 6.1% | | 10.6% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule A, Farm and Home

Rate 13 (H)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-------------------------|--------------------------|----------------------------------|---------------------|-----------|---------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 171,314 | \$1,539,256 | \$9.10 | \$1,558,957 | \$8.75 | \$1,498,998 |
| Energy charge | 191,828,392 | 13,426,958 | \$0.07451 | 14,293,133 | \$0.07658 | 14,690,218 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 14,966,214 | | <u>\$15,852,091</u> | | <u>\$16,189,216</u> |
| Fuel adjustment | | 1,444,652 | | | | |
| Environmental surcharge | | 1,307,437 | | | | |
| Total revenues | | <u>\$17,718,303.</u> | | | | |
| Amount | | | | \$885,877 | | \$337,125 |
| Percent | | | | 5.92% | | 2.13% |
| Average monthly bill | | \$87.36 | | \$92.53 | | \$94.50 |
| Amount | | | | \$5.17 | | \$1.97 |
| Percent | | | | 5.9% | | 2.1% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 16 (N M)

GS-2, Off-Peak Marketing (ETS)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-------------------------|--------------------------|----------------------------------|----------|-----------|----------|
| | | | Rates | Revenues | Rates | Revenues |
| Energy charge | 683,506 | 25,517 | \$0.04101 | 28,031 | \$0.04595 | 31,407 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 25,517 | | \$28,031 | | \$31,407 |
| Fuel adjustment | | 4,010 | | | | |
| Environmental surcharge | | 2,211 | | | | |
| Total revenues | | \$31,738 | | | | |
| Amount | | | | \$2,514 | | \$3,377 |
| Percent | | | | 9.85% | | 12.05% |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis
December 31, 2007

Schedule R2, Residential Marketing Rate

Rate 17 (FC)

Description

| Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|--------------------------|----------------------------------|----------|----------|----------|
| | | Rates | Revenues | Rates | Revenues |

Energy charge

173,940

7,003

\$0.04372

7,605

\$0.04595

7,993

Billing adjustments

0

0

Total from base rates

7,003

\$7,605

\$7,993

Fuel adjustment

1,041

Environmental surcharge

602

Total revenues

\$8,646

Amount
Percent

\$602
8.59%

\$388
5.10%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 18 (H)

Rate 1 ETS, Off-Peak Marketing Rate

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-------------------------|--------------------------|----------------------------------|-----------------|-----------|-----------------|
| | | | Rates | Revenues | Rates | Revenues |
| Energy charge | 1,965,309 | 80,487 | \$0.04471 | 87,869 | \$0.04595 | 90,306 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 80,487 | | <u>\$87,869</u> | | <u>\$90,306</u> |
| Fuel adjustment | | 11,238 | | | | |
| Environmental surcharge | | 6,815 | | | | |
| Total revenues | | <u>\$98,540</u> | | | | |
| Amount | | | | \$7,382 | | \$2,437 |
| Percent | | | | 9.17% | | 2.77% |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis
December 31, 2007

C-1, Commercial and Industrial Lighting & Power

Rate 21 and 22 (N M)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|--|---|--------------------------|----------------------------------|---------------------------|-----------|----------------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 15,413 | \$108,507 | \$7.13 | \$109,895 | \$25.00 | \$385,325 |
| Demand Charge First 10 kW of billing demand Over 10 kW of billing demand | 57,818 58,180 | 363,043 | \$6.40 | 372,352 | \$7.00 | 407,260 |
| Energy charge First 3,000 kwh All over 3,000 kwh | 19,769,738 15,963,029 <u>35,732,767</u> | 1,369,055 1,058,866 | \$0.07272 \$0.06779 | 1,437,655 1,082,134 | \$0.07551 | 2,698,181 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 2,899,461 | | <u>\$3,002,036</u> | | <u>\$3,490,766</u> |
| Fuel adjustment | | 283,328 | | | | |
| Environmental surcharge | | 253,435 | | | | |
| Total revenues | | <u>\$3,436,224</u> | | | | |
| Amount Percent | | | | \$102,575 3.54% | | \$488,730 16.28% |
| Average monthly bill Amount Percent | | \$49.84 | | \$51.60 \$1.76 3.5% | | \$60.00 \$8.40 16.3% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule C, Commercial and Small Power

Rate 23 and 24 (FC)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------------|-------------------------|--------------------------|----------------------------------|-----------|-----------|-----------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge, first 30 kwh | 5,103 | 25,962 | \$5.53 | \$28,220 | \$25.00 | \$127,575 |
| Customer Charge | | | | | | |
| Demand Charge | | | | | | |
| First 10 kW of billing demand | 11,860 | | | | | |
| Over 10 kW of billing demand | 10,632 | 62,601 | \$6.40 | 68,045 | \$7.00 | 74,424 |
| Energy charge | | | | | | |
| First 30 kwh | 152,701 | | | | | |
| All over 30 kwh | 8,951,894 | 636,422 | \$0.07729 | 691,892 | \$0.07551 | 687,488 |
| | 9,104,595 | | | | | |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 724,985 | | \$788,156 | | \$889,487 |
| Fuel adjustment | | 70,891 | | | | |
| Environmental surcharge | | 63,602 | | | | |
| Total revenues | | | | \$859,478 | | |
| Amount | | | | \$63,171 | | \$101,331 |
| Percent | | | | 8.71% | | 12.86% |
| Average monthly bill | | \$68.19 | | \$74.13 | | \$83.66 |
| Amount | | | | \$5.94 | | \$9.53 |
| Percent | | | | 8.7% | | 12.9% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 25 and 26 (H)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------|-------------------------|--------------------------|----------------------------------|----------|----------|----------|
| | | | Rates | Revenues | Rates | Revenues |

Customer Charge
Demand Charge - First 10 kW
Demand Charge - Over 10 kW

Energy charge

Billing adjustments

Total from base rates

Fuel adjustment
Environmental surcharge

Total revenues

Amount
Percent

Average monthly bill
Amount
Percent

| | | | | | |
|-----------|----------|-----------|----------|-----------|-----------|
| 4,065 | \$98,347 | \$24.50 | \$99,593 | \$25.00 | \$101,625 |
| 5,469 | | | | | |
| 8,376 | 0 | \$0.00 | 0 | \$7.00 | 58,632 |
| 6,314,722 | 454,463 | \$0.07617 | 480,992 | \$0.07551 | 476,825 |
| | | | 0 | | 0 |

| | | | | | |
|---------|--|--|-----------|--|-----------|
| 552,810 | | | \$580,585 | | \$637,082 |
|---------|--|--|-----------|--|-----------|

| | | | | | |
|--------|--|--|--|--|--|
| 49,350 | | | | | |
| 48,108 | | | | | |

| | | | | | |
|-----------|--|--|--|--|--|
| \$650,268 | | | | | |
|-----------|--|--|--|--|--|

| | | |
|--|----------|----------|
| | \$27,775 | \$56,497 |
| | 5.02% | 9.73% |

| | | |
|----------|----------|----------|
| \$135.99 | \$142.83 | \$156.72 |
| | \$6.83 | \$13.90 |
| | 5.0% | 9.7% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 31 (N M)

LP-1, Large Power

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-------------------------|--------------------------|----------------------------------|-------------|-----------|-------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 1,072 | \$25,862 | \$24.64 | \$26,414 | \$50.00 | \$53,600 |
| Demand Charge | 133,607 | 844,396 | \$6.40 | 855,085 | \$7.50 | 1,002,053 |
| Energy charge | | | | | | |
| First 10,000 kwh | 14,360,683 | 739,676 | \$0.05723 | 821,862 | | |
| Next 15,000 kwh | 8,857,298 | 401,448 | \$0.05036 | 446,054 | | |
| Next 50,000 kwh | 11,886,914 | 477,248 | \$0.04461 | 530,275 | | |
| Next 75,000 kwh | 7,955,840 | 302,521 | \$0.04225 | 336,134 | | |
| All over 150,000 kwh | 1,421,265 | 32,156 | \$0.04050 | 57,561 | | |
| | 44,482,000 | | | | | |
| First 25,000 kwh | 23,217,981 | | | | \$0.00000 | 0 |
| Next 50,000 kwh | 11,886,914 | | | | \$0.00000 | 0 |
| All over 75,000 kwh | 9,377,105 | | | | \$0.00000 | 0 |
| | 44,482,000 | | | | \$0.04650 | 2,068,413 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 2,823,306 | | \$3,073,385 | | \$3,124,066 |
| Fuel adjustment | | 351,183 | | | | |
| Environmental surcharge | | 250,024 | | | | |
| Total revenues | | | | \$3,424,513 | | |
| Amount | | | | \$250,079 | | \$50,680 |
| Percent | | | | 8.86% | | 1.65% |
| Average monthly bill | | | | \$2,633.68 | | \$2,914.24 |
| Amount | | | | \$233.28 | | \$47.28 |
| Percent | | | | 8.9% | | 1.6% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule L, Large Power Service (50 to 499 kw)

Rate 33 (FC)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|--------------------------------|-------------------------|--------------------------|----------------------------------|------------------|------------------|------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 118 | 3,363 | \$30.00 | \$3,540 | \$50.00 | \$5,900 |
| Demand Charge | 7,097 | 21,979 | \$3.26 | 23,136 | \$7.50 | 53,228 |
| Energy charge | | | | | | |
| First 50 kwh of billing demand | 2,280,660 | 151,367 | \$0.08038 | 183,319 | | |
| Next 100 kwh of billing demand | 413,382 | 26,015 | \$0.07628 | 31,533 | | |
| Over 150 kwh of billing demand | 128,296 | 6,997 | \$0.06611 | 8,482 | | |
| | <u>2,822,338</u> | | | | | |
| First 10,000 kwh | 952,350 | | | | \$0.04650 | 44,284 |
| All over 10,000 kwh | <u>1,869,988</u> | | | | <u>\$0.04650</u> | <u>86,954</u> |
| | <u>2,822,338</u> | | | | | |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 209,721 | | <u>\$250,010</u> | | <u>\$190,366</u> |
| Fuel adjustment | | 21,315 | | | | |
| Environmental surcharge | | 18,020 | | | | |
| Total revenues | | <u>\$249,056</u> | | | | |
| Amount | | | | \$40,289 | | (\$59,644) |
| Percent | | | | 19.21% | | -23.86% |
| Average monthly bill | | \$1,777.30 | | \$2,118.73 | | \$1,613.27 |
| Amount | | | | \$341.43 | | (\$505.46) |
| Percent | | | | 19.2% | | -23.9% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

LP-2, Large Power

Rate 32 & 38 (N M)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-------------------------|--------------------------|----------------------------------|-------------|-----------|-------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 156 | 3,767 | \$24.64 | \$3,844 | \$100.00 | \$15,600 |
| Demand Charge | 149,349 | 943,886 | \$6.40 | 955,834 | \$7.50 | 1,120,118 |
| Energy charge | | | | | | |
| First 3,500 kwh | 519,600 | 29,278 | \$0.05809 | 30,184 | | |
| Next 6,500 kwh | 1,614,000 | 76,852 | \$0.04960 | 80,054 | | |
| Next 140,000 kwh | 19,604,300 | 814,438 | \$0.04433 | 869,059 | | |
| Next 200,000 kwh | 18,784,912 | 730,609 | \$0.04274 | 802,867 | | |
| Next 400,000 kwh | 14,519,488 | 546,092 | \$0.04179 | 606,769 | | |
| Next 550,000 kwh | 3,919,680 | 139,303 | \$0.04085 | 160,119 | | |
| All over 1,300,000 kwh | 3,092,000 | 89,856 | \$0.03544 | 109,580 | | |
| | 62,053,980 | | | | | |
| First 200,000 kwh | 40,522,812 | | | | \$0.00000 | 0 |
| All over 200,000 kwh | 21,531,168 | | | | \$0.00000 | 0 |
| | 62,053,980 | | | | \$0.04098 | 2,542,972 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 3,374,081 | | \$3,618,310 | | \$3,678,690 |
| Fuel adjustment | | 479,199 | | | | |
| Environmental surcharge | | 302,530 | | | | |
| Total revenues | | \$4,155,810 | | | | |
| Amount | | | | \$244,229 | | \$60,380 |
| Percent | | | | 7.24% | | 1.67% |
| Average monthly bill | | \$21,628.72 | | \$23,194.29 | | \$23,581.34 |
| Amount | | | | \$1,565.57 | | \$387.05 |
| Percent | | | | 7.2% | | 1.7% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule N, Industrial & Large Commercial (Over 500KW)

Rate 35, 36 (FC)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|---------------------------------|-------------------------|--------------------------|----------------------------------|-------------|-----------|-------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 50 | 13,582 | \$277.18 | \$13,859 | \$100.00 | \$5,000 |
| Demand Charge | 26,446 | 115,590 | \$4.46 | 117,949 | \$7.50 | 198,345 |
| Energy charge | | | | | | |
| First 425 kwh of billing demand | 11,239,550 | 554,813 | \$0.05037 | 566,136 | | |
| Over 425 kwh of billing demand | 1,450,981 | 40,327 | \$0.04227 | 61,333 | | |
| | 12,690,531 | | | | | |
| First 200,000 kwh | 6,249,236 | | | | \$0.04098 | 256,094 |
| All over 200,000 kwh | 6,441,295 | | | | \$0.04098 | 263,964 |
| | 12,690,531 | | | | | |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 724,312 | | \$759,277 | | \$723,403 |
| Fuel adjustment | | 102,858 | | | | |
| Environmental surcharge | | 63,119 | | | | |
| Total revenues | | \$890,289 | | | | |
| Amount | | | | \$34,965 | | (\$35,874) |
| Percent | | | | 4.83% | | -4.72% |
| Average monthly bill | | \$14,486.24 | | \$15,185.55 | | \$14,468.06 |
| Amount | | | | \$699.31 | | (\$717.49) |
| Percent | | | | 4.8% | | -4.7% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 39.52 (H)

Rate 8, Large Power Service (50 to 500KW)

| Description | Billing Year | Test Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-----------------|------------------|----------------------------------|------------|-----------|------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 231 | 6,665 | \$29.44 | \$6,801 | \$50.00 | \$11,550 |
| Demand Charge | 22,274 | 175,283 | \$8.03 | 178,860 | \$7.50 | 167,055 |
| Energy charge | 7,516,501 | 354,235 | \$0.05091 | 382,665 | \$0.04650 | 349,517 |
| Primary discount | | (464) | | | | |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 535,719 | | \$568,326 | | \$528,122 |
| Fuel adjustment | | 56,717 | | | | |
| Environmental surcharge | | 46,919 | | | | |
| Total revenues | | \$639,355 | | | | |
| Amount | | | | \$32,607 | | (\$40,204) |
| Percent | | | | 6.09% | | -7.07% |
| Average monthly bill | | \$2,319.13 | | \$2,460.29 | | \$2,286.24 |
| Amount | | | | \$141.16 | | (\$174.04) |
| Percent | | | | 6.1% | | -7.1% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

LPR 1, Rate 8, Large Power Service (Over 500KW)

Rate 40 (H)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-------------------------|--------------------------|----------------------------------|------------------|-----------|------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 24 | 970 | \$41.23 | \$990 | \$100.00 | \$2,400 |
| Demand Charge | 13,396 | 105,418 | \$8.03 | 107,570 | \$7.50 | 100,470 |
| Energy charge | 6,295,920 | 280,509 | \$0.04832 | 304,219 | \$0.04098 | 258,007 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 386,997 | | <u>\$412,778</u> | | <u>\$360,877</u> |
| Fuel adjustment | | 48,841 | | | | |
| Environmental surcharge | | 34,343 | | | | |
| Total revenues | | <u>\$470,081</u> | | | | |
| Amount | | | | \$25,861 | | (\$51,901) |
| Percent | | | | 6.69% | | -12.57% |
| Average monthly bill | | \$16,120.71 | | \$17,199.09 | | \$15,036.53 |
| Amount | | | | \$1,078.39 | | (\$2,162.56) |
| Percent | | | | 6.7% | | -12.6% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 46 (FC)
Schedule B1, Large Industrial Rate

| Description | Billing Determinants | Test Year Revenues | Normalized 5.53 | | Proposed | |
|-------------------------|-------------------------|--------------------------|--------------------|--------------------|------------|--------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 12 | 6,823 | \$580.22 | \$6,963 | \$1,000.00 | \$12,000 |
| Demand Charge | | | | | | |
| Contract demand | 35,100 | 190,221 | \$5.53 | 194,103 | \$6.22 | 218,322 |
| Excess demand | 1,694 | 13,331 | \$8.03 | 13,603 | \$8.65 | 14,653 |
| Energy charge | 23,328,000 | 865,614 | \$0.04278 | 997,972 | \$0.04148 | 967,645 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 1,075,989 | | <u>\$1,212,640</u> | | <u>\$1,212,621</u> |
| Fuel adjustment | | 173,416 | | | | |
| Environmental surcharge | | 98,128 | | | | |
| Total revenues | | <u>\$1,347,533</u> | | | | |
| Amount | | | | \$136,651 | | (\$20) |
| Percent | | | | 12.70% | | 0.00% |
| Average monthly bill | | \$89,665.75 | | \$101,053.36 | | \$101,051.71 |
| Amount | | | | \$11,387.61 | | (\$1.65) |
| Percent | | | | 12.7% | | 0.0% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 44, 45, 47, 48, 49 (N M)

Schedule B-2, Large Industrial Rate

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|-------------------------|--------------------------|----------------------------------|--------------------|------------|--------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 60 | 64,528 | \$1,097.42 | \$65,845 | \$2,000.00 | \$120,000 |
| Demand Charge | | | | | | |
| Contract demand | 302,373 | 1,638,680 | \$5.53 | 1,672,123 | \$6.22 | 1,880,760 |
| Excess demand | 13,408 | 105,513 | \$8.03 | 107,666 | \$8.65 | 115,979 |
| Energy charge | 155,679,600 | 5,455,361 | \$0.03806 | 5,925,166 | \$0.03703 | 5,764,816 |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 7,264,082 | | <u>\$7,770,800</u> | | <u>\$7,881,555</u> |
| Fuel adjustment | | 1,218,401 | | | | |
| Environmental surcharge | | 666,674 | | | | |
| Total revenues | | <u>\$9,149,157</u> | | | | |
| Amount | | | | \$506,718 | | \$110,755 |
| Percent | | | | 6.98% | | 1.43% |
| Average monthly bill | | \$121,068.03 | | \$129,513.33 | | \$131,359.25 |
| Amount | | | | \$8,445.30 | | \$1,845.92 |
| Percent | | | | 7.0% | | 1.4% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

LPR2, Rate 8, Large Power Service (1,000 to 4,999KW)

Rate 50 (H)

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|--|---|--|--|--|--|----------------------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Customer Charge | 12 | 28,648 | \$2,436.09 | \$29,233 | \$2,000.00 | \$24,000 |
| Demand Charge | 97,974 | 530,960 | \$5.53 | 541,796 | \$6.22 | 609,398 |
| Energy charge First 425 kwh billing demand All over 425 kwh billing demand | 41,946,650 11,038,150 <u>52,984,800</u> | 1,729,259 355,799 <u>(152,958)</u> | \$0.04481 \$0.03709 <u>(152,958)</u> | 1,879,629 409,405 <u>(152,958)</u> | \$0.03703 \$0.03703 <u>(152,958)</u> | 1,553,284 408,743 <u>0</u> |
| Primary discount | | | | | | |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 2,491,709 | | <u>\$2,707,106</u> | | <u>\$2,595,425</u> |
| Fuel adjustment | | 418,100 | | | | |
| Environmental surcharge | | <u>240,626</u> | | | | |
| Total revenues | | <u>\$3,150,435</u> | | | | |
| Amount | | | | \$215,397 | | (\$111,680) |
| Percent | | | | 8.64% | | -4.13% |
| Average monthly bill | | \$207,642.39 | | \$225,592.14 | | \$216,285.45 |
| Amount | | | | \$17,949.75 | | (\$9,306.69) |
| Percent | | | | 8.6% | | -4.1% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 51

Street Lighting

| Description | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|--|-------------------------|--------------------------|----------------------------------|-----------|----------|-----------|
| | | | Rates | Revenues | Rates | Revenues |
| <u>High Pressure Sodium</u> | | | | | | |
| 70 W Ornamental | 8,376 | 44,945 | \$5.50 | 46,068 | \$9.00 | 75,384 |
| 100 W Ornamental | 6,871 | 47,860 | \$7.16 | 49,196 | \$10.00 | 68,710 |
| 250 W Ornamental | 2,398 | 23,213 | \$10.16 | 24,364 | \$13.25 | 31,774 |
| 70 W Colonial (15 foot mounting height) | 5,715 | 46,842 | \$8.35 | 47,720 | \$8.35 | 47,720 |
| 200 W Cobra Head (Aluminum pole) | | 0 | \$12.21 | 0 | \$13.50 | 0 |
| 100 W Cobra Head (Aluminum pole) | | 0 | \$8.94 | 0 | \$10.00 | 0 |
| 100 W Shoebox Fixture (Fiberglass pole) | | 0 | \$16.81 | 0 | \$16.81 | 0 |
| 100 W Acorn Fixture (Fiberglass pole) | | 0 | \$16.28 | 0 | \$16.28 | 0 |
| 100 W Colonial Fixture | | 0 | \$13.75 | 0 | \$13.75 | 0 |
| 400 W Cobra head (Aluminum pole) | | 0 | \$20.40 | 0 | \$20.40 | 0 |
| kWh | 822,482 | | | | | |
| | 23,360 | | | | | |
| Billing adjustments | | | | 0 | | 0 |
| Total from base rates | | 162,860 | | \$167,348 | | \$223,588 |
| Fuel adjustment | | 7,828 | | | | |
| Environmental surcharge | | 16,904 | | | | |
| Total revenues | | | | \$187,592 | | |
| Amount | | | | \$4,488 | | \$56,239 |
| Percent | | | | 2.76% | | 33.61% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Outdoor Lighting Service

Rate 15

Description

| Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------|--------------------------|----------------------------------|----------|----------|----------|
| | | Rates | Revenues | Rates | Revenues |

Mercury Vapor

| | | | | | | |
|-------|-------|--------|--------|--------|---------|--------|
| 175 W | 2,256 | 1,143 | \$0.00 | 0 | \$0.00 | 0 |
| 175 W | 4,316 | 23,783 | \$5.64 | 24,342 | \$9.51 | 41,045 |
| 400 W | 689 | 5,656 | \$8.92 | 6,146 | \$15.39 | 10,604 |

High Pressure Sodium

| | | | | | | |
|--|--------|---------|---------|---------|---------|---------|
| 100 W | 92,062 | 485,264 | \$5.51 | 507,262 | \$9.53 | 877,351 |
| 250 W | 2,008 | 15,778 | \$8.37 | 16,807 | \$14.28 | 28,674 |
| 400 W Halide Directional Flood | 4,189 | 50,405 | \$12.74 | 53,368 | \$14.50 | 60,741 |
| 400 W Directional Flood | 582 | 7,429 | \$13.80 | 8,032 | \$15.25 | 8,876 |
| 100 W Shoebox Fixture | 132 | 2,185 | \$16.81 | 2,219 | \$16.81 | 2,219 |
| 100 W Acorn Fixture (Fiberglass Pole) | 123 | 1,824 | \$16.28 | 2,002 | \$16.28 | 2,002 |
| 100 W Colonial Fixture | 1,468 | 19,696 | \$13.75 | 20,185 | \$13.75 | 20,185 |
| 400 W Cobra Head (Aluminum pole) | 28 | 556 | \$20.40 | 571 | \$20.40 | 571 |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

| Outdoor Lighting Service | | | | | | | | | |
|---------------------------------------|--------|--------------------|---------|--------------------|---------|--------------------|--|--|--|
| <u>High Pressure Sodium</u> | | | | | | | | | |
| 175 W | 54,085 | 483,245 | \$9.51 | 514,348 | \$9.51 | 514,348 | | | |
| 400 W | 990 | 11,146 | \$15.39 | 15,236 | \$15.39 | 15,236 | | | |
| 200 W Cobra Head | | | | | | | | | |
| (Aluminum Pole) | 1,455 | 17,160 | \$12.21 | 17,766 | \$13.50 | 19,643 | | | |
| 100 W Cobra Head | | | | | | | | | |
| (Aluminum Pole) | 2,701 | 23,549 | \$8.94 | 24,147 | \$10.00 | 27,010 | | | |
| 100 W Shoebox Fixture | | 0 | \$16.81 | 0 | \$16.81 | 0 | | | |
| 100 W Acorn Fixture | | 0 | | | | | | | |
| (Fiberglass Pole) | | 0 | \$16.28 | 0 | \$16.81 | 0 | | | |
| 100 W Colonial | | 0 | \$13.75 | 0 | \$13.75 | 0 | | | |
| 400 W Cobra Head | | | | | | | | | |
| (Aluminum Pole) | | 0 | \$20.40 | 0 | \$20.40 | 0 | | | |
| 400 W Metal Halide Directional | | 0 | \$12.74 | 0 | \$14.50 | 0 | | | |
| 400 W Directional Flood | | 0 | \$13.80 | 0 | \$15.25 | 0 | | | |
| 100 W Open Bottom | 165 | 1,553 | \$9.53 | 1,572 | \$9.53 | 1,572 | | | |
| 250 W Open Bottom | | 0 | \$14.28 | 0 | \$14.28 | 0 | | | |
| Lights Requiring Separate Transformer | 220 | 220 | \$1.00 | 220 | \$0.00 | 0 | | | |
| kWh | | 9,287,615 | | | | | | | |
| | | <u>167,469</u> | | <u>0</u> | | <u>0</u> | | | |
| Billing adjustments | | | | | | | | | |
| Total from base rates | | 1,150,592 | | <u>\$1,214,223</u> | | <u>\$1,630,077</u> | | | |
| Fuel adjustment | | 3,027 | | | | | | | |
| Environmental surcharge | | 3,218 | | | | | | | |
| Total revenues | | <u>\$1,156,837</u> | | | | | | | |
| Amount | | | | \$63,631 | | \$415,854 | | | |
| Percent | | | | 5.53% | | 34.25% | | | |

Blue Grass Energy
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Summary:

| Billing Determinants | Billing Determinants | Test Year Revenues | Normalized Case No. 2006-0512 | | Proposed | |
|-------------------------------|-------------------------|--------------------------|----------------------------------|--------------------|----------|--------------------|
| | | | Rates | Revenues | Rates | Revenues |
| Total from base rates | 1,237,361,259 | 81,632,418 | | 86,991,610 | | 94,394,032 |
| Fuel adjustment | | 9,380,614 | | | | |
| Environmental surcharge | | 7,099,448 | | | | |
| Total revenues | | 98,112,480 | | | | |
| Per Form 7 | 1,237,361,259 | 98,115,561 | | | | |
| Increase Amount Percent | 0 | 3,081 | | 5,359,192 6.57% | | 7,402,422 8.51% |

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules
December 31, 2007

| Rate Schedule | Kwh Usage | Test Year Revenue | Percent of Total | Normalized Case No. 2006-0512 | Percent of Total | Proposed Revenue | Percent of Total | Increase Amount | Increase Percent |
|---|--|---|---|---|---|---|---|--|--|
| GS-1, Residential, Farm : R, Residential A, Farm and Home Serv GS-2, Residential Market R2, Residential Marketing Rate 1, Residential Marke C-1, Commercial and Indi C, Small Commercial Rate 2, Commercial and ; LP-1, Large Power L, Large Power Service ; Rate 8, Large Power Sen LP-2, Large Power N, Industrial & Large Pow LP-1, Large Power Servi B1, Large Industrial Rate B-2, Large Industrial Rate LP-2, Large Power (5,00 Street Lighting Outdoor Lighting Service Rounding differences | 434,562,009 174,838,533 191,828,392 683,506 173,940 1,965,309 35,732,767 9,104,595 6,314,722 44,482,000 2,822,338 7,516,501 62,053,980 12,690,531 6,295,920 23,328,000 155,679,600 52,984,800 822,482 9,287,615 | \$29,425,507 12,751,166 14,966,214 25,517 7,003 80,487 2,899,461 724,985 552,810 2,823,306 209,721 535,719 3,374,081 724,312 386,897 1,075,989 7,264,082 2,491,709 162,860 1,150,592 | 36% 16% 18% 0% 0% 0% 4% 1% 1% 3% 0% 1% 4% 1% 0% 1% 9% 3% 0% 1% | \$31,359,435 13,531,599 15,852,091 28,031 7,605 87,869 3,002,036 788,156 580,565 3,073,385 250,010 568,326 3,618,310 759,277 412,778 1,212,640 7,770,800 2,707,106 167,348 1,214,223 | 36% 16% 18% 0% 0% 0% 3% 1% 1% 4% 0% 1% 4% 1% 0% 1% 9% 3% 0% 1% | \$35,944,166 14,964,821 16,189,216 31,407 7,993 90,306 3,490,766 889,487 637,082 3,124,066 190,366 528,122 3,678,690 723,403 360,877 1,212,621 7,881,555 2,595,425 223,588 1,630,077 | 38% 16% 17% 0% 0% 0% 4% 1% 1% 3% 0% 1% 4% 1% 0% 1% 8% 3% 0% 2% | \$4,584,731 1,433,222 337,125 3,377 388 2,437 488,730 101,331 56,497 50,680 (59,644) (40,204) 60,380 (35,874) (51,901) (20) 110,755 (111,680) 56,239 415,854 0 | 14.6% 10.6% 2.1% 12.0% 5.1% 2.8% 16.3% 12.9% 9.7% 1.6% -23.9% -7.1% 1.7% -4.7% -12.6% 0.0% 1.4% -4.1% 33.6% 34.2% |
| Total from base rates | 1,233,167,540 | 81,632,418 | 100% | \$86,991,610 | 100% | \$94,394,032 | 100% | \$7,402,422 | 8.51% |
| Fuel adjustment billed | | 9,380,614 | | | | | | | |
| Environmental surcharge billed | | 7,099,448 | | | | | | | |
| | | \$98,112,480 | | | | | | | |
| Increase | | | | \$5,359,192 | | \$7,402,422 | | | |
| Unbilled fuel adjustment | | (596,268) | | | | | | | |
| Unbilled environmental surcharge | | (835,117) | | | | | | | |
| Revenue per general ledger | | \$96,679,095 | | | | | | | |

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011**

Exhibit VI

SETTLEMENT AGREEMENT WITH OAG

PROPOSED RATES FOR COMBINED RATE SCHEDULES

| | |
|---|------------|
| GS-1, Residential, Farm and Non-Farm | |
| Customer Charge | \$8.75 |
| Energy Charge | 0.07658 |
| GS-2, Off-Peak Marketing (ETS) | |
| Energy Charge | 0.04595 |
| SC-1, Small Commercial | |
| Customer Charge | \$25.00 |
| Demand Charge | \$7.00 |
| Energy Charge | 0.07148 |
| LP-1, Large Power | |
| Customer Charge | \$50.00 |
| Demand Charge | \$7.50 |
| Energy Charge | 0.04650 |
| LP-2, Large Power | |
| Customer Charge | \$100.00 |
| Demand Charge | \$7.50 |
| Energy Charge | 0.04098 |
| Schedule B1, Large Industrial Rate | |
| Customer Charge | \$1,000.00 |
| Demand Charge - Contract | \$6.22 |
| Demand Charge - Excess | \$8.65 |
| Energy Charge | 0.04148 |
| Schedule B-2, Large Industrial Rate | |
| Customer Charge | \$2,000.00 |
| Demand Charge - Contract | \$6.22 |
| Demand Charge - Excess | \$8.65 |
| Energy Charge | 0.03703 |
| Outdoor Lights | |
| 175 Watt Mercury Vapor | \$9.51 |
| 400 Watt Mercury Vapor | \$15.39 |
| 400 Watt Metal Halide Directional Flood | \$14.50 |
| 400 Watt High Pressure Sodium Direction | \$15.25 |
| 100 Watt High Pressure Sodium - Shoebc | \$16.81 |
| 100 Watt High Pressure Sodium - Acorn F | \$16.28 |
| 100 Watt High Pressure Sodium - Colonia | \$13.75 |
| 400 Watt High Pressure Sodium Cobra H | \$20.40 |
| 70 Watt High Pressure Sodium (Ornamen | \$9.00 |
| 100 Watt High Pressure Sodium (Orname | \$10.00 |
| 250 Watt High Pressure Sodium (Orname | \$13.25 |
| 70 Watt High Pressure (Colonial) (15-foot | \$8.35 |
| 200 Watt High Pressure Sodium Cobra H | \$13.50 |
| 100 Watt High Pressure Sodium Cobra H | \$10.00 |
| 100 Watt High Pressure Sodium Open Bo | \$9.53 |
| 250 Watt High Pressure Sodium Open Bo | \$14.28 |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

GS-1, Residential, Farm and Non-Farm

Rate 11 (N M)

| <u>Description</u> | Billing Determinants | Proposed | |
|-----------------------|-------------------------|-----------|---------------------|
| | | Rates | Revenues |
| Customer Charge | 619,307 | \$ 8.75 | \$5,418,936 |
| Energy charge per kWh | 805,422,653 | \$0.07658 | 61,679,267 |
| Billing adjustments | | | 0 |
| Total from base rates | | | <u>\$67,098,203</u> |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

GS-2, Off-Peak Marketing (ETS)

Rate 16 (N M)

Description

| Billing Determinants | Proposed | |
|-------------------------|----------|----------|
| | Rates | Revenues |

2,822,755 \$0.04595 129,706

Energy charge

0

Billing adjustments

\$129,706

Total from base rates

Blue Grass Energy
Case No. 2008-00011
Billing Analysis
December 31, 2007

SC-1, Small Commercial

Rate 21 and 22 (N M)

| <u>Description</u> | Billing Determinants | Proposed | |
|-------------------------------|-------------------------|-----------|--------------------|
| | | Rates | Revenues |
| Customer Charge | 25,333 | \$25.00 | \$633,325 |
| Demand Charge | | | |
| First 10 kW of billing demand | 75,147 | | 754,975 |
| Over 10 kW of billing demand | 107,854 | \$7.00 | |
| Energy charge | 63,129,939 | \$0.07148 | 4,512,528 |
| Billing adjustments | | | 0 |
| Total from base rates | | | <u>\$5,900,828</u> |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Rate 31 (N M)
LP-1, Large Power

| <u>Description</u> | Billing Determinants | Proposed | |
|-----------------------|-------------------------|-----------|-------------|
| | | Rates | Revenues |
| Customer Charge | 669 | \$50.00 | 33,450 |
| Demand Charge | 124,693 | \$7.50 | 935,195 |
| Energy charge | 42,842,984 | \$0.04650 | 1,992,199 |
| Billing adjustments | | | 0 |
| Total from base rates | | | \$2,960,844 |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

LP-2, Large Power

Rate 32 & 38 (N M)

| <u>Description</u> | Proposed | | |
|-----------------------|----------------------|-----------|-------------|
| | Billing Determinants | Rates | Revenues |
| Customer Charge | 230 | \$100.00 | \$23,000 |
| Demand Charge | 189,191 | \$7.50 | 1,418,933 |
| Energy charge | 81,040,431 | \$0.04098 | 3,321,037 |
| Billing adjustments | | | 0 |
| Total from base rates | | | \$4,762,969 |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Schedule B1, Large Industrial Rate

Rate 46 (FC)

| <u>Description</u> | Billing Determinants | Proposed | |
|-----------------------|-------------------------|------------|--------------------|
| | | Rates | Revenues |
| Customer Charge | 12 | \$1,000.00 | \$12,000 |
| Demand Charge | | | |
| Contract demand | 35,100 | \$6.22 | 218,322 |
| Excess demand | 1,694 | \$8.65 | 14,653 |
| Energy charge | 23,328,000 | \$0.04148 | 967,645 |
| Billing adjustments | | | 0 |
| Total from base rates | | | <u>\$1,212,621</u> |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Schedule B-2, Large Industrial Rate

Rate 44, 45, 47, 48, 49 (N M)

| <u>Description</u> | Billing Determinants | Proposed | |
|-----------------------|-------------------------|------------|---------------------|
| | | Rates | Revenues |
| Customer Charge | 72 | \$2,000.00 | \$144,000 |
| Demand Charge | | | |
| Contract demand | 400,347 | \$6.22 | 2,490,158 |
| Excess demand | 13,408 | \$8.65 | 115,979 |
| Energy charge | 208,664,400 | \$0.03703 | 7,726,843 |
| Billing adjustments | | | 0 |
| Total from base rates | | | <u>\$10,476,980</u> |

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Outdoor Lights

Ratte 51

Description

| Billing Determinants | Proposed | |
|-------------------------|----------|----------|
| | Rates | Revenues |

| | | | |
|---|-------|---------|---------|
| Outdoor Lights | | | |
| 175 Watt Mercury Vapor | 58401 | \$9.51 | 555,394 |
| 400 Watt Mercury Vapor | 1679 | \$15.39 | 25,840 |
| 400 Watt Metal Halide Directional Flood | 4189 | \$14.50 | 60,741 |
| 400 Watt High Pressure Sodium Directional Flood | 582 | \$15.25 | 8,876 |
| 100 Watt High Pressure Sodium - Shoebox Fixture (Metal Pole) | 132 | \$16.81 | 2,219 |
| 100 Watt High Pressure Sodium - Acorn Fixture (Fiberglass Pole) | 123 | \$16.28 | 2,002 |
| 100 Watt High Pressure Sodium - Colonial Fixture | 1468 | \$13.75 | 20,185 |
| 400 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | 28 | \$20.40 | 571 |
| 70 Watt High Pressure Sodium (Ornamental) | 8376 | \$9.00 | 75,384 |
| 100 Watt High Pressure Sodium (Ornamental) | 6871 | \$10.00 | 68,710 |
| 250 Watt High Pressure Sodium (Ornamental) | 2398 | \$13.25 | 31,774 |
| 70 Watt High Pressure (Colonial) (15-foot mounting height) | 5715 | \$8.35 | 47,720 |
| 200 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | 1455 | \$13.50 | 19,643 |
| 100 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | 2701 | \$10.00 | 27,010 |
| 100 Watt High Pressure Sodium Open Bottom | 92227 | \$9.53 | 878,923 |
| 250 Watt High Pressure Sodium Open Bottom | 2008 | \$14.28 | 28,674 |

kWh

10,110,097

Total from base rates

\$1,853,665

Blue Grass Energy
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Summary:

| Billing Determinants | Proposed | |
|-------------------------|----------|----------|
| | Rates | Revenues |

Total from base rates

1,237,361,259

94,395,816

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG

Exhibit VII
Page 9 of 9

REVENUE ANALYSIS FOR COMBINED RATE SCHEDULES

| | Revenue Combined | Revenue Combined Rate Classes Change in Customers SC1 & LP-1 | Revenue Combined Rate Classes Change in Rates for SC1 |
|--------------------------------------|---------------------|---|--|
| <u>Revenue Summary</u> | | | |
| GS-1, Residential, Farm and Non-Farm | \$67,098,203 | \$67,098,203 | \$67,098,203 |
| GS-2, Off-Peak Marketing (ETS) | \$129,706 | \$129,706 | \$129,706 |
| SC-1, Small Commercial | \$5,017,335 | \$6,155,242 | \$5,900,828 |
| LP-1, Large Power | \$3,842,554 | \$2,960,844 | \$2,960,844 |
| LP-2, Large Power | \$4,762,969 | \$4,762,969 | \$4,762,969 |
| Schedule B1, Large Industrial Rate | \$1,212,621 | \$1,212,621 | \$1,212,621 |
| Schedule B-2, Large Industrial Rate | \$10,476,980 | \$10,476,980 | \$10,476,980 |
| Outdoor Lights | \$1,853,665 | \$1,853,665 | \$1,853,665 |
| | <u>\$94,394,032</u> | <u>\$94,650,229</u> | <u>\$94,395,816</u> |

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Over 100 KW

AVAILABILITY

Available only to qualified cogeneration or small power production facilities with a design capacity of over 100 KW which have executed a contract for the sale of power to Blue Grass Energy Cooperative Corporation and East Kentucky Power Cooperative for the purchase of electric power by East Kentucky Power Cooperative.

RATE SCHEDULE

1. Capacity

- a. \$8.47 per KW per year is applicable if co generator or small power producer is dispatched by East Kentucky Power Cooperative.
- b. \$0.00110 per KWH is applicable if cogenerator or small power producer is not dispatched by East Kentucky Power Cooperative.

2. Energy - A base payment per KWH is listed below for a time differentiated basis or a non-time differentiated basis for the specified years.

a. Time Differentiated Rates:

| Year | Winter | | Summer | |
|------|-----------|-----------|-----------|-----------|
| | On-Peak | Off-Peak | On-Peak | Off-Peak |
| 2005 | \$0.04565 | \$0.03311 | \$0.04093 | \$0.01991 |
| 2006 | \$0.04280 | \$0.03116 | \$0.04304 | \$0.02115 |
| 2007 | \$0.04479 | \$0.03179 | \$0.04251 | \$0.02129 |
| 2008 | \$0.04256 | \$0.02929 | \$0.04506 | \$0.01874 |
| 2009 | \$0.03876 | \$0.02682 | \$0.03901 | \$0.01667 |

b. Non-Time Differentiated Rates:

| Year | 2005 | 2006 | 2007 | 2008 | 2009 |
|------|-----------|-----------|-----------|-----------|-----------|
| Rate | \$0.03502 | \$0.03437 | \$0.03498 | \$0.03360 | \$0.03014 |

The On-Peak and off-peak energy rates are applicable during the hours listed below for each season:

| Months | On-Peak Hours | Off-Peak Hours |
|-----------------------|--|--|
| May through September | 10:00 a.m. to 10:00 p.m. | 10:00 p.m. to 10:00 a.m. |
| October through April | 7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m. | 10:00 p.m. to 7:00 a.m. 12:00 noon to 5:00 p.m. |

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 2
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 2

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Over 100 KW

TERMS AND CONDITIONS

1. All power from a Qualifying Facility (QF) will be sold only to East Kentucky Power Cooperative.
2. Seller must provide good quality electric power within reasonable range of voltage, frequency, flicker, harmonic currents, and power factor.
3. Qualifying Facility (QF) shall provide reasonable protection for the EKPC and Blue Grass Energy Cooperative Corporation's system.
4. Qualifying Facility (QF) shall design, construct, install, own, operate, and maintain the qualifying facility in accordance with all applicable codes, laws, regulation and generally accepted utility practice.
5. Qualifying Facility (QF) shall reimburse EKPC & Blue Grass Energy Cooperative Corporation for all costs as a result of interconnecting with the QF, including operation, maintenance, administration and billing.
6. Qualifying Facility (QF) shall obtain insurance in at least the following minimum amounts for each occurrence:
 - a. Public Liability for Bodily Injury - \$1,000,000.00
 - b. Property Damage - \$500,000.00
7. Initial contract term shall be for a minimum of twenty years.
8. Qualifying Facilities proposing to supply as available (non-firm) electric power shall not be entitled to a capacity payment.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Less than 100 KW

AVAILABILITY

Available only to qualified cogeneration or small power production facilities with a design capacity of less than 100 KW which have executed a contract for the sale of power to Blue Grass Energy Cooperative Corporation and East Kentucky Power Cooperative for the purchase of electric power by East Kentucky Power Cooperative.

RATE SCHEDULE

1. Capacity

- a. \$8.47 per KW per year is applicable if co generator or small power producer is dispatched by East Kentucky Power Cooperative.
- b. \$0.00110 per KWH is applicable if cogenerator or small power producer is not dispatched by East Kentucky Power Cooperative.

2. Energy - A base payment per KWH is listed below for a time differentiated basis or a non-time differentiated basis for the specified years.

a. Time Differentiated Rates:

| Year | Winter | | Summer | |
|------|-----------|-----------|-----------|-----------|
| | On-Peak | Off-Peak | On-Peak | Off-Peak |
| 2005 | \$0.04565 | \$0.03311 | \$0.04093 | \$0.01991 |
| 2006 | \$0.04280 | \$0.03116 | \$0.04304 | \$0.02115 |
| 2007 | \$0.04479 | \$0.03179 | \$0.04251 | \$0.02129 |
| 2008 | \$0.04256 | \$0.02929 | \$0.04506 | \$0.01874 |
| 2009 | \$0.03876 | \$0.02682 | \$0.03901 | \$0.01667 |

b. Non-Time Differentiated Rates:

| Year | 2005 | 2006 | 2007 | 2008 | 2009 |
|------|-----------|-----------|-----------|-----------|-----------|
| Rate | \$0.03502 | \$0.03437 | \$0.03498 | \$0.03360 | \$0.03014 |

The On-Peak and off-peak energy rates are applicable during the hours listed below for each season:

| <u>Months</u> | <u>On-Peak Hours</u> | <u>Off-Peak Hours</u> |
|-----------------------|--|--|
| May through September | 10:00 a.m. to 10:00 p.m. | 10:00 p.m. to 10:00 a.m. |
| October through April | 7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m. | 10:00 p.m. to 7:00 a.m. 12:00 noon to 5:00 p.m. |

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Less than 100 KW

TERMS AND CONDITIONS

1. All power from a Qualifying Facility (QF) will be sold only to East Kentucky Power Cooperative.
2. Seller must provide good quality electric power within reasonable range of voltage, frequency, flicker, harmonic currents, and power factor.
3. Qualifying Facility (QF) shall provide reasonable protection for the EKPC and Blue Grass Energy Cooperative Corporation's system.
4. Qualifying Facility (QF) shall design, construct, install, own, operate, and maintain the qualifying facility in accordance with all applicable codes, laws, regulation and generally accepted utility practice.
5. Qualifying Facility (QF) shall reimburse EKPC & Blue Grass Energy Cooperative Corporation for all costs as a result of interconnecting with the QF, including operation, maintenance, administration and billing.
6. Qualifying Facility (QF) shall obtain insurance in at least the following minimum amounts for each occurrence:
 - c. Public Liability for Bodily Injury - \$1,000,000.00
 - d. Property Damage - \$500,000.00
7. Initial contract term shall be for a minimum of twenty years.
8. Qualifying Facilities proposing to supply as available (non-firm) electric power shall not be entitled to a capacity payment

DATE OF ISSUE: April 11, 2008

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(Name of Officer)

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in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

GS-2 Off-Peak Retail Marketing Rate (ETS)

AVAILABILITY

Available to consumers eligible for Tariff GS-1, Residential and Farm Schedule. The electric power and energy furnished under Tariff GS-2, Off Peak Retail Marketing Rate shall be separately metered for each point of delivery. Other power and energy furnished will be billed under GS-1, Residential and Farm Schedule.

RATES

All kWh/Month: \$0.04595 kWh

SCHEDULE OF HOURS

This rate is only applicable for the below listed off-peak hours:

| <u>Months</u> | <u>Hours Applicable for Demand Billing - EST</u> |
|-----------------------|--|
| October through April | 12:00 noon to 5:00 p.m. 10:00 p.m. to 7:00 a.m. |
| May through September | 10:00 p.m. to 10:00 a.m. |

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by and amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DELAYED PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

TERMS AND CONDITIONS

This Tariff is subject to the same terms and conditions as described in Tariff GS-1, Residential and Farm. This rate applies to only programs which are expressly approved by the Public Service Commission to be offered under the Marketing Rate of East Kentucky Power Cooperative's wholesale power rate. Effective January 1, 2009 all consumers under this rate will be switched to the GS-3 Residential and Farm Time-of Day Rate or the GS-1 Residential and Farm Rate. This tariff is no longer available for new installations.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: Dated:

CLASSIFICATION OF SERVICE

GS-1 (Residential and Farm)

APPLICABLE

Entire Territory Served

AVAILABILITY

Available to all residential and farm consumers. The capacity on individual motors served under this schedule may not exceed ten (10) horsepower.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage.

RATES

| | |
|-----------------------|-----------------------------|
| Customer Charge | \$8.75 per meter, per month |
| Energy Charge per kWh | \$0.07658 |

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by and amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

MINIMUM MONTHLY CHARGE

The minimum monthly charge under this tariff shall be the customer charge.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

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in Case No.: _____ Dated: _____

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 7
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 7

CLASSIFICATION OF SERVICE

GS-1 (Residential and Farm)

BUDGET BILLING

The Cooperative has a levelized billing plan that is available to all residential consumers. Qualified consumers may be placed on or removed from this plan in any month of the year. This is a continuous plan and there is no account settlement (catch-up) month. Monthly payments are based on average kilowatt-hour usage for the past twelve months. Bills may fluctuate each month, according to how the current monthly bill affects the average. Failure to pay the exact amount by the due date each month will result in removal of this account from the levelized billing program.

During the month when the usage is the lowest, monthly payments will be larger than the actual usage and a credit will accumulate. During the months of higher usages, payments will be smaller than actual usage and debits will accumulate. At the time of disconnect or removal of the account from this plan, all accumulated debts shall be refunded and credited to the account.

The Cooperative may cancel a consumer's levelized account of delinquency (untimely payment), or non-payment (returned checks or no payment), or failure to pay the exact amount of the bill.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

GS-3 (Residential and Farm Time-of-Day Rate)

APPLICABLE

Entire Territory Served

AVAILABILITY

Available to all consumers eligible for the Tariff GS-1, Residential and Farm. The capacity on individual motors served under this schedule may not exceed ten (10) horsepower.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage.

RATES:

| | |
|------------------------------|------------------------------|
| Customer Charge | \$12.00 per meter, per month |
| <u>Energy Charge per kWh</u> | |
| On-peak energy | \$0.09489 |
| Off-peak energy | \$0.05581 |

On-Peak Hours and Off-Peak Hours

| <u>Months</u> | <u>On-Peak Hours</u> | <u>Off-Peak Hours</u> |
|-----------------------|--|--|
| May through September | 10:00 a.m. to 10:00 p.m. | 10:00 p.m. to 10:00 a.m. |
| October through April | 7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m. | 10:00 p.m. to 7:00 a.m. 12:00 noon to 5:00 p.m. |

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by and amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

MINIMUM MONTHLY CHARGES

The minimum monthly charge under this tariff shall be the customer charge.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 9
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 9, 36, 54, & 55

CLASSIFICATION OF SERVICE

SC-1 Commercial and Industrial (0-100 KW)

APPLICABLE

Entire territory served

AVAILABILITY

Available for single phase or three-phase commercial and industrial; and three-phase farm service up to 100 kW.

TYPE OF SERVICE

Single-phase and three-phase, 60 cycles, at available secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase unless specially approved by the Cooperative. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

RATE

Demand Charge

| | |
|-------------------------------|-----------|
| First 10 KW of Billing Demand | No charge |
| Over 10 KW of Billing Demand | \$ 7.00 |

Energy Charge

| | |
|---------|-----------|
| All KWH | \$0.07148 |
|---------|-----------|

| | |
|-----------------|---------|
| Customer Charge | \$25.00 |
|-----------------|---------|

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

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in Case No.: _____ Dated: _____

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 10
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 10

CLASSIFICATION OF SERVICE

SC-1 Commercial and Industrial (0-100 KW)

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practical. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than the wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded by the demand meter multiplied by the wholesale power factor and divided by the measured power factor.

MINIMUM CHARGE

The minimum monthly charge under the above rate shall be the customer charge.

DELAYED PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid 15 days from the date of the bill, the gross rates shall apply.

SPECIAL RATES

Consumers requiring service only during certain seasons not exceeding 9 months per year may guarantee a minimum annual payment of 12 times the monthly charge determined in accordance with the foregoing section, in which case there shall be no minimum charge.

TEMPORARY SERVICE

Temporary service shall be supplied in accordance with the foregoing rate except that the consumer shall pay in addition to the foregoing charges the total cost of connecting and disconnecting service. A deposit in advance may be required for the full amount of the estimated bill for service, including the cost of connection and disconnection.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

LP-1 Large Power (101 KW to 500 KW)

APPLICABLE

Entire territory served

AVAILABILITY

Available to all consumers whose contracted kilowatt demand shall exceed 100 kW for all usage subject to the established rules and regulations.

CONDITIONS

An "Agreement for Electric Service" shall be executed by the consumer for service under this schedule.

TYPE OF SERVICE

Single-phase and three-phase, 60 cycles, at available primary or secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase unless specifically approved by the Cooperative. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

RATE

Maximum Demand Charge

\$7.50 per month per KW of billing demand

Energy Charge (101 KW to 500 kW)

| | |
|-----------------|-----------|
| Customer Charge | \$50.00 |
| ALL KWH | \$0.04650 |

DETERMINATION OF BILLING DEMAND

The Billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than the wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded by the demand meter multiplied by the wholesale power factor and divided by the measured power factor.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

LP-1 Large Power (101 KW to 500 KW) – Continued

MINIMUM CHARGE

The minimum monthly charge shall be as specified in the contract.

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased by an amount per KWh equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% to all applicable provisions as set out in 807 KAR 5.056.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SPECIAL PROVISIONS

1. Delivery Point – If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment on the load side of the delivery point shall be owned and maintained by the Consumer.
2. If service is furnished at Seller's primary line voltage, the delivery point shall be the location of the primary metering point. All wiring, pole lines, and other electrical equipment beyond the meter point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
3. If service is furnished at primary distribution voltage, a discount of 5% shall apply to the energy charge.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 13
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 13, 48, & 58

CLASSIFICATION OF SERVICE

LP-2 Large Power (over 500)

APPLICABLE

Entire territory served

AVAILABILITY

Available to all commercial and industrial consumers whose contracted kilowatt demand shall exceed 500 kW for all usage subject to the established rules and regulations.

CONDITIONS

An "Agreement for Purchase of Power" shall be executed by the consumer for service under this schedule.

TYPE OF SERVICE

Three-phase, 60 cycles, at available primary or secondary voltages. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

RATE

Maximum Demand Charge

\$7.50 per month per kW of billing demand

Energy Charge (over 500 kW)

| | |
|-----------------|-----------|
| Customer Charge | \$100.00 |
| ALL KWH | \$0.04098 |

Special facilities charge as specified in the contract

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practical. Power Factor may be measured at any time. Should such measurements indicate that the power factor at the time of the maximum demand is less than the wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded by the demand meter multiplied by the wholesale power factor and divided by the measured power factor.

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CLASSIFICATION OF SERVICE

LP-2 Large Power (over 500)- Continued

MINIMUM CHARGE

The minimum monthly charge shall be as specified in the contract.

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SPECIAL PROVISIONS

1. Delivery Point – If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment on the load side of the delivery point shall be owned and maintained by the Consumer.
2. If service is furnished at Seller's primary line voltage, the delivery point shall be the location of the primary metering point. All wiring, pole lines, and other electrical equipment beyond the meter point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
3. If service is furnished at primary distribution voltage, a discount of 5% shall apply to the energy charge.

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BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 15
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 15, 16, & 64

CLASSIFICATION OF SERVICE

OUTDOOR LIGHTS

APPLICABLE

Entire territory served

AVAILABILITY

Available to all consumers of the Cooperative subject to its established rules and regulations.

RATE PER LIGHT PER MONTH

| | |
|---|---------|
| 175 Watt Mercury Vapor* | \$ 9.51 |
| 400 Watt Mercury Vapor* | \$15.39 |
| 400 Watt Metal Halide Directional Flood | \$14.50 |
| 400 Watt High Pressure Sodium Directional Flood* | \$15.25 |
| 100 Watt High Pressure Sodium – Shoebox Fixture (Metal Pole) | \$16.81 |
| 100 Watt High Pressure Sodium – Acorn Fixture (Fiberglass Pole) | \$16.28 |
| 100 Watt High Pressure Sodium – Colonial Fixture | \$13.75 |
| 400 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | \$20.40 |
| 70 Watt High Pressure Sodium (Ornamental)* | \$ 9.00 |
| 100 Watt High Pressure Sodium (Ornamental)* | \$10.00 |
| 250 Watt High Pressure Sodium (Ornamental)* | \$13.25 |
| 70 Watt High Pressure (Colonial) (15-foot mounting height)* | \$ 8.35 |
| 200 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | \$13.50 |
| 100 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | \$10.00 |
| 100 Watt High Pressure Sodium Open Bottom | \$ 9.53 |
| 250 Watt High Pressure Sodium Open Bottom | \$14.28 |

*Not available for new installation

ADDITIONAL ORNAMENTAL SERVICE

The Cooperative may, upon request, furnish ornamental poles/fixtures not listed in our current rates of the Cooperative's choosing, together with overhead wiring and all other equipment as needed. The Member will pay this additional cost prior to installation.

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BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 16
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 15, 16, & 64

CLASSIFICATION OF SERVICE

OUTDOOR LIGHTS

OTHER THAN OUR CURRENT RATE PER LIGHT PER MONTH LISTING

Should the member require, either initially or upon replacement, a type of system or equipment other than that as described in our current rates, the Member shall make a non-refundable contribution to the Cooperative equal to the difference in the installed cost between the system or equipment so required and the cost of the type as described in our current rates. In a similar manner the member will pay the difference in the cost or operation and maintaining such a system or equipment and the cost of operation and maintaining a type in our current rates. Any facilities that are required in excess of the standard light installation shall be paid by the member. Any installation costs which are to be borne by the Member shall be paid prior to installation.

STORAGE PROVISION FOR SPECIAL LIGHTS AND POLES

If the cooperative provides storage for fixture, poles or other equipment requested by the Member not included in our current rates an adder of 12.50% will apply to the monthly rate per light.

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

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**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 23
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 23 & 50

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-1

AVAILABILITY

Applicable to contracts with demands of 1,000 KW to 3,999 KW with a monthly energy usage equal to or greater than 425 hours per KW of billing demand.

MONTHLY RATE

| | |
|---|------------|
| Consumer Charge | \$1000.00 |
| Demand Charge per kW of Contract Demand | \$ 6.22 |
| Demand Charge per kW for Billing Demand in Excess of Contract Demand | \$ 8.65 |
| Energy Charge per kWh | \$0 .04148 |

BILLING DEMAND

The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the consumer's peak demand, during the current month, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval, in the below listed hours for each month, and adjusted for power factor as provided herein:

| <u>Months</u> | <u>Hours Applicable for Demand Billing - EST</u> |
|-----------------------|--|
| October through April | 7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m. |
| May through September | 10:00 a.m. to 10:00 p.m. |

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall not be less than the sum of (a) through (d) below:

- Customer Charge
- The product of the contract demand multiplied by the contract demand charge, plus the product of the demand in excess of the contract demand, multiplied by the in excess of contract demand charge.
- The product of the contract demand multiplied by 425 hours and the energy charge per KWH.
- Contract provisions that reflect special facilities requirements.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of the maximum demand is less than the minimum required wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded, multiplied by the minimum required wholesale power factor and divided by the measured power factor.

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BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 24
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 24 & 51

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-1 - Continued

FUEL ADJUSTMENT CLAUSE

This rate may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

SPECIAL PROVISIONS

1. *Delivery Point* – If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment on the load side of the delivery point shall be owned and maintained by the Consumer.
2. If service is furnished at Seller's primary line voltage, the delivery point shall be the location of the primary metering point. All wiring, pole lines, and other electrical equipment (except metering equipment) on the load side of the delivery point shall be owned and maintained by the Consumer.
3. If service is furnished at primary distribution voltage, a discount of 5% shall apply to the energy charge.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

TEMPORARY SERVICE

Consumers requiring temporary service under this rate schedule may be required to pay all costs of *connecting and disconnecting incidental to the supplying and removing of service*. In addition to this, a deposit will be required to cover estimated consumption of electricity. Both fees will be paid in advance.

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**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 25
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 25 & 62

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-2

AVAILABILITY

Applicable to contracts with demands of 4,000 KW and greater with a monthly energy usage equal to or greater than 425 hours per KW of contract demand.

TYPE OF SERVICE

Three-phase, 60 cycles, at available primary voltages. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

MONTHLY RATE

| | |
|---|------------|
| Customer Charge | \$2,000.00 |
| Demand Charge per kW of Contract Demand | \$6.22 |
| Demand Charge per kW for Billing Demand in Excess of Contract Demand | \$8.65 |
| Energy Charge per kWh | \$0.03703 |

BILLING DEMAND

The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the consumer's peak demand, during the current month, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval, in the below listed hours for each month, and adjusted for power factor as provided herein:

| <u>Months</u> | <u>Hours Applicable for Demand Billing - EST</u> |
|-----------------------|--|
| October through April | 7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m. |
| May through September | 10:00 a.m. to 10:00 p.m. |

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall not be less than the sum of (a) through (d) below:

- Customer Charge
- The product of the contract demand multiplied by the contract demand charge, plus the product of the demand in excess of the contract demand, multiplied by the in excess of contract demand charge.
- The product of the contract demand multiplied by 425 hours and the energy charge per kWh.
- Contract provisions that reflect special facilities requirements.

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BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 26
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 26 & 63

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-2 – Continued

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of the maximum demand is less than the wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded, multiplied by the wholesale power factor and divided by the measured power factor.

FUEL ADJUSTMENT CLAUSE

This rate may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

SPECIAL PROVISIONS

Delivery Point – The delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment (except metering equipment) on the load side of the delivery point shall be owned and maintained by the Consumer.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply

TEMPORARY SERVICE

Consumers requiring temporary service under this rate schedule may be required to pay all costs of connecting and disconnecting incidental to the supplying and removing of service. In addition to this, a deposit will be required to cover estimated consumption of electricity. Both fees will be paid in advance.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate

APPLICABILITY

In all territory served by the company on poles owned and used by the company for their electric plant.

AVAILABILITY

To all qualified CATV operators having the right to receive service.

RENTAL CHARGE

The yearly rental charges shall be as follows:

| | |
|----------------------------------|--------|
| Two-party pole attachment | \$4.77 |
| Three-party pole attachment | \$4.21 |
| Two-party anchor attachment | \$7.58 |
| Three-party anchor attachment | \$5.00 |
| Two-party grounding attachment | \$0.31 |
| Three-party grounding attachment | \$0.19 |

Pedestal attachment = Same as respective pole charges.

BILLING

Rental charges shall be billed yearly based on the number of pole attachments. The rental charges are net, the gross being ten percent (10%) higher. In the event the current bill is not paid within ten (10) days from the date of the bill, the gross shall apply.

Note: Discount or penalty must apply to all electric consumers, but shall apply to advance billing only if given at least thirty (30) days before the late penalty takes effect.

SPECIFICATIONS

- A. The attachment to poles covered by this tariff shall at all times conform to the requirements of the National Electrical Safety Code, 1981 Edition, and subsequent revisions thereof, except when the lawful requirements of public authorities may be more stringent, in which case the latter will govern.
- B. The strength of poles covered by this treatment shall be sufficient to withstand the transverse and vertical load imposed upon them under the storm loading of the National Electrical Safety Code assumed for the area in which they are located.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

ESTABLISHING POLE USE

- A. Before the CATV operator shall make use of any of the poles of the Cooperative under this tariff, they shall notify the Cooperative of their intent in writing and shall comply with the procedures established by the Cooperative. The CATV operator shall furnish the Cooperative detailed construction plans and drawings for each pole line, together with necessary maps, indicating specifically the poles of the Cooperative, the number and character of the attachments to be placed on such poles, and rearrangements of the Cooperative's fixtures and equipment necessary for the attachment, and relocation or replacements of existing poles, and any additional poles that CATV intends to install.
- B. The Cooperative shall, on the basis of such detailed construction plans and drawings, submit to the CATV operator a cost estimate (including overhead and less salvage value of materials) of all changes that may be required in each such pole line. Upon written notice by the CATV operator to the Cooperative that the cost estimate is approved, the Cooperative shall proceed with the necessary changes in pole lines covered by cost estimate. Upon completion of all changes, the CATV operator shall have the right hereunder to make attachments in accordance with the terms of the application of this tariff. The CATV operator shall, at his own expense, make attachments in such manner as not to interfere with the service of the Cooperative.
- C. Upon completion of all changes, the CATV operator shall pay to the Cooperative the actual cost (including overhead and less salvage value of materials) of making such changes. The obligation of the CATV operator hereunder shall not be limited to amounts shown on estimates made by the Cooperative hereunder. An itemized statement of the actual cost of all such changes shall be submitted by the Cooperative to the CATV operator in a form mutually agreed upon.
- D. Any reclearing of existing rights-of-way and any tree trimming necessary for the establishment of pole line attachments hereunder shall be performed by the CATV operator.
- E. All poles to which attachments have been made under this tariff shall remain the property of the Cooperative, and any payments made by the CATV operator for changes in pole line under this tariff shall not entitle the CATV operator to the ownership of any of said poles.
- F. Any charges necessary for correction of substandard installation made by the CATV operator, where notice of intent had not been requested, shall be billed at rate equal to twice the charges that would have been imposed if the attachment had been properly authorized.

EASEMENTS AND RIGHTS-OF-WAY

- A. The Cooperative does not warrant nor assure the CATV operator any rights-of-way privileges or easements, and if the CATV operator shall at any time be prevented from placing or maintaining its attachments on the Cooperative's poles, no liability on account thereof shall attach to the Cooperative. Each party shall be responsible for obtaining its own easements and right-of-way.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate – Continued

MAINTENANCE OF POLES, ATTACHMENTS, AND OPERATIONS

- A. Whenever rights-of-way considerations or public regulations make relocation of a pole or poles necessary, such relocation shall be made by the Cooperative at its own expense, except that each party bear the cost of transferring its own attachments.
- B. Whenever it is necessary to replace or relocate an attachment, the Cooperative shall, before making such replacement or relocation, give forty-eight (48) hours notice (except in cases of emergency) to the CATV operator, specifying in said notice the time of such proposed replacement or relocation, and the CATV operator shall, at the time so specified, transfer its attachments to the new or relocated pole. Should the CATV operator fail to transfer its attachments to the new or relocated pole at the time specified for such transfer of attachments, the Cooperative may elect to do such work and the CATV operator shall pay the Cooperative the cost thereof.
- C. Any existing attachment of CATV which does not conform to the specifications as set out in this tariff hereof shall be brought to conformity therewith as soon as practical. The Cooperative, because of the importance of its service, reserves the right to inspect each new installation of the CATV operator on its poles and in the vicinity of its lines or appurtenances. Such inspection, made or not, shall not operate to relieve the CATV operator of any responsibility, obligation or liability assumed under the tariff.
- D. The Cooperative reserves to itself, its successor and assigns, the right to maintain its poles and to operate its facilities thereon in such manner as will, in its own judgment, best enable it to fulfill its own service requirements. The Cooperative shall not be liable to the CATV operator for any interruption in service of CATV operator or for interference with the operation of the cables, wires and appliances of the CATV operator arising in any manner out of the use of the Cooperative's poles hereunder.
- E. The Cooperative shall exercise reasonable care to avoid damaging the facilities of the CATV operator, made an immediate report to the CATV operator of the occurrence of any such damage caused by its employees, agents or contractors, and, except for removal for non-payment or for failure to post or maintain the required "Performance Bond", agrees to reimburse the CATV operator for all reasonable cost incurred by the CATV operator for the physical repair of facilities damaged by the negligence of the Cooperative.

INSPECTIONS

- A. Periodic Inspections - Any unauthorized or unreported attachment by CATV operator will be billed at a rate of two times the amount equal to the rate that would have been due, had the installation been made the day after the last previously required inspection.
- B. Made-Ready Inspection - Any "make-ready" inspection of "walk-through" inspection required of the Cooperative will be paid for by the CATV operator at a rate equal to the Cooperative's actual expenses, plus appropriate overhead charges.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

INSURANCE OR BOND

- A. The CATV operator agrees to defend, indemnify and save harmless the Cooperative from any and all damages, loss, claim, demand, suit, liability, penalty or forfeiture of every kind and nature, including, but not limited to, costs and expenses of defending against the same and payment of any settlement or judgment therefore, by reason of (a) injuries or deaths to persons, (b) damages to or destruction of properties, (c) pollutions, contaminations of or other adverse effects on the environment or (d) violations of governmental laws, regulations or orders whether suffered directly by the Cooperative itself, or indirectly by reason of claims, demands or suits against it by third parties, resulting or alleged to have resulted from acts or omissions of the CATV operator, its employees, agents or other representatives or from their presence on the premises of the Cooperative, either solely or in concurrence with any alleged joint negligence of the Cooperative. The Cooperative shall be liable for sole active negligence.

- B. The CATV operator will provide from a company authorized to do business in the Commonwealth of Kentucky:

Protection for its employees to the extent required by Workmen's Compensation Law of Kentucky.

Public liability coverage with separate coverage for each town or city in which the CATV operator operates under this contract to a minimum amount of \$100,000.00 for each person and \$300,000.00 for each accident or personal injury or death, and \$25,000.00 as to the property of any one person, and \$100,000.00 as to any once accident or property damage.

Before beginning operations under this tariff, the CATV operator shall cause to be furnished to the Cooperative a certificate for such coverage, evidencing the existence of such coverage. Each policy required hereunder shall contain a contractual endorsement written as follows:

"The insurance or bond provided herein shall also be for the benefit of Blue Grass Energy Cooperative Corporation, so as to guarantee, within the coverage limits, the performance by the insured of any indemnity agreement set forth in this tariff. This insurance or bond may not be canceled for any cause without thirty (30) days advance notice being first given to Blue Grass Energy Cooperative Corporation."

CHANGE OF USE PROVISION

When the Cooperative subsequently requires a change in its poles or attachment for any reasons unrelated to the CATV operations, the CATV operator shall be given forty-eight (48) hours notice of the proposed change (except in case of emergency). If the CATV operator is unable or unwilling to meet the Cooperative's time schedule for such changes, the Cooperative may do the work and charge the CATV operator its reasonable cost for performing the change of CATV attachments.

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ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

ABANDONMENT

- A. If the Cooperative desires at any time to abandon any pole to which the CATV operator has attachments, it shall give the CATV operator notice in writing to that effect at least thirty (30) days prior to the date on which it intends to abandon such pole. If, at the expiration of said period, the Cooperative shall have no attachments on such pole, but the CATV operator shall not have removed all of its attachments there from, such pole shall thereupon become the property of the CATV operator, and the CATV operator shall save harmless the Cooperative from all obligation, liability, damages, cost, expenses, or charges incurred thereafter; and shall pay the Cooperative for such pole an amount equal to the Cooperative's depreciated cost thereof.
- B. The Cooperative shall further evidence transfer to the CATV operator of title to the pole by means of a bill of sale.
- C. The CATV operator may at any time abandon the use of the attached pole by giving due notice thereof in writing to the Cooperative and by removing there from any and all attachments it may have thereon. The CATV operator shall in such case pay to the Cooperative the full rental for said pole for the then current billing period.

RIGHTS OF OTHERS

Upon notice from the Cooperative to the CATV operator that the use of any pole or poles is forbidden by municipal or other public authorities or by property owners, the permit governing the use of such pole or poles shall immediately terminate and the CATV operator shall remove its facilities from the affected pole or poles at once. No refund of any rental will be due on account of any removal resulting from such forbidden use.

PAYMENT OF TAXES

Each party shall pay all taxes and assessments lawfully levied on its own property upon said attached poles, and the taxes and the assessments which are levied on said property shall be paid by the owner thereof, but any tax fee, or charge levied on the Cooperative's poles solely because of their use by the CATV operator shall be paid by the CATV operator.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

BOND OR DEPOSITOR PERFORMANCE

- A. The CATV operator shall furnish bond or satisfactory evidence of contractual insurance coverage from the purposes hereinafter specified in the amount of twenty-five thousand dollars (\$25,000), until such time as the CATV operator shall occupy twenty-five hundred (2,500) poles of the Cooperative and thereafter the amount thereof shall be increased to increments of one-thousand dollars (\$1,000), for each one-hundred (100) poles (or fraction thereof) occupied by the CATV operator, evidence of which shall be presented to the Cooperative fifteen (15) days prior to beginning construction. Such bond or insurance shall contain the provision that it shall not be terminated prior to six (6) months after receipt by the Cooperative of written notice of the desire of the Bonding or Insurance Company to terminate such bond or insurance. Upon receipt of such notice, the Cooperative shall request the CATV operator to immediately remove its cables, wires, and all other facilities from all poles of the Cooperative. If the CATV operator should fail to complete the removal of all its facilities from the poles of the Cooperative within thirty (30) days after receipt of such request from the Cooperative, then the Cooperative shall have the right to remove them at the cost and expense of the CATV operator and without being liable for any damage to the CATV operator's wires, cables, fixtures, or appurtenances. Such bond or insurance shall guarantee the payment of any sums which may become due to the Cooperative for rentals, inspections or work performed for the benefit of the CATV operator under this tariff, including the removal of attachments upon termination of service by any of its provisions.
- B. After the CATV operator has been a customer of the Cooperative and not in default for a period of two years, the Cooperative shall reduce the bond by 50%, or, at the Cooperative's option, require a deposit in keeping with 807 KAR 5:006, Section 7.

USE OF ANCHORS

The Cooperative reserves the right to prohibit the use of any existing anchors by CATV operator where the strength or conditions of said anchors cannot be readily identified by visual inspection.

DISCONTINUANCE OF SERVICE

The Cooperative may refuse or discontinue serving an applicant or customer under the conditions set out in 807 KAR 5:006, Section 11.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 33
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 33

CLASSIFICATION OF SERVICE

Interruptible Service

STANDARD RIDER

This Interruptible Rate is a rider to the Schedule LP-1 Large Power Rate, LP-2 Large Power Rate, B-1 Large Industrial Rate and B-2 Large Industrial Rate.

APPLICABLE

In all territory served by the Cooperative.

AVAILABILITY OF SERVICE

This schedule shall be made available at any load center, to any member who will contract for an interruptible demand of not less than 250 KW and not more than 20,000 KW, subject to a maximum number of hours of interruption per year and a notice period as listed below.

MONTHLY RATES

A monthly demand credit per KW is to be based on the following matrix:

| Annual Hours of Interruption | | | |
|------------------------------|--------|--------|--------|
| Notice Minutes | 200 | 300 | 400 |
| 10 | \$2.70 | \$3.15 | \$3.60 |
| 60 | \$2.25 | \$2.70 | \$3.15 |

DETERMINATION OF MEASURED LOAD - BILLING DEMAND

The monthly billing demand shall be the highest average rate at which energy is used during any fifteen consecutive minute periods during the below listed hours:

Months
October through April

Hours Applicable for Demand Billing - EST

7:00 a.m. to 12:00 noon

5:00 p.m. to 10:00 p.m.

May through September

10:00 a.m. to 10:00 p.m.

The interruptible billing demand shall be equal to the amount by which the monthly billing demand exceeds the minimum billing demand as specified in the contract.

BLUE GRASS ENERGY

FOR ENTIRE TERRITORY SERVED

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CLASSIFICATION OF SERVICE

Interruptible Service - Continued**CONDITIONS OF SERVICE FOR CUSTOMER CONTRACT**

1. The customer will, upon notification by the Cooperative, reduce his load being supplied by the Cooperative to the contract capacity level specified by the contract.
2. The Cooperative will endeavor to provide the Customer as much advance notice as possible of the interruption of service. However, the Customer shall interrupt service within the notice period as contracted.
3. Service will be furnished under the Cooperative's General Rules and Regulations or Terms and Conditions except as set out herein and/or provisions agreed to by written contract.
4. No responsibility of any kind shall attach to the Cooperative for, or on account of, any loss or damage caused by, or resulting from, any interruption or curtailment of this service.
5. The minimum original contract period shall be one year and thereafter until terminated be giving at least six months previous written notice. The Cooperative may require a contract be executed for a longer initial term when deemed necessary by the size of the load and other conditions.
6. The Fuel Adjustment Clause, as specified in the governing rate schedule, is applicable.
7. The Customer shall arrange his wiring so that interruptible service supplied under this rider shall be separately metered and segregated from firm service.
8. A Customer's plant is considered as one or more buildings which are served by a single electrical distribution system provided and operated by the Customer. When the size of the Customer's load necessitates the delivery of energy to the Customer's plant over more than one circuit, the company may elect to connect its circuits to different points on the customer's system.
9. Any transformers required in excess of those used for regular firm power shall be owned and maintained by the Customer.

CALCULATION OF MONTHLY BILL

The monthly bill is calculated on the following basis:

- A. Sum of customer charge, plus
- B. Minimum billing demand in KW multiplied by the firm capacity rate, plus
- C. Interruptible billing demand in KW multiplied by interruptible rate, plus
- D. Energy usage in KWH multiplied by the energy rate.

NUMBER AND DURATION OF INTERRUPTIONS

- A. Winter Season: There shall be no more than two (2) interruptions during any 24-hour calendar day. No interruption shall last more than six hours.
- B. Summer Season: There shall be no more than one (1) interruption during any 24-hour calendar day. No interruption shall last more than twelve hours.
- C. The maximum number of annual hours of interruption shall be in accordance with the customer-contracted level of interruptible service.

BLUE GRASS ENERGY**FOR ENTIRE TERRITORY SERVED**

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CLASSIFICATION OF SERVICE

Interruptible Service - Continued

CHARGE FOR FAILURE TO INTERRUPT

If Customer fails to interrupt load as requested by the Cooperative, the Cooperative shall bill the uninterrupted load at a rate equal to five (5) times the applicable firm power demand charge for that billing month. Uninterrupted load is equal to actual load during requested interruption minus firm load. Failure to interrupt penalty shall apply for each interruption and shall be billed accordingly.

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APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00011 DATED AUGUST 28, 2008

The following rates and charges are prescribed for the customers in the area served by Blue Grass Energy Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE GS-1 RESIDENTIAL, FARM AND NON-FARM

| | | |
|---------------------------|----|--------|
| Customer Charge per Month | \$ | 8.75 |
| Energy Charge per kWh | \$ | .07658 |

SCHEDULE GS-2 OFF-PEAK MARKETING (ETS)

| | | |
|-----------------------|----|--------|
| Energy Charge per kWh | \$ | .04595 |
|-----------------------|----|--------|

SCHEDULE GS-3 RESIDENTIAL AND FARM TIME-OF-DAY

| | | |
|---------------------------|----|--------|
| Customer Charge per Month | \$ | 8.75 |
| Energy Charge | | |
| On-Peak Energy per kWh | \$ | .09377 |
| Off-Peak Energy per kWh | \$ | .05741 |

SCHEDULE SC-1 SMALL COMMERCIAL

| | | |
|--------------------------------|----|--------|
| Customer Charge per Month | \$ | 25.00 |
| Demand Charge per Month per kW | \$ | 7.00 |
| Energy Charge per kWh | \$ | .07148 |

SCHEDULE LP-1 LARGE POWER

| | | |
|--------------------------------|----|--------|
| Customer Charge per Month | \$ | 50.00 |
| Demand Charge per Month per kW | \$ | 7.50 |
| Energy Charge per kWh | \$ | .04650 |

SCHEDULE LP-2
LARGE POWER

| | | |
|--------------------------------|----|--------|
| Customer Charge per Month | \$ | 100.00 |
| Demand Charge per Month per kW | \$ | 7.50 |
| Energy Charge per kWh | \$ | .04098 |

SCHEDULE B-1
LARGE INDUSTRIAL

| | | |
|---|----|----------|
| Customer Charge per Month | \$ | 1,000.00 |
| Demand Charge per Month per kW - Contract | \$ | 6.22 |
| Demand Charge per Month per kW - Excess | \$ | 8.65 |
| Energy Charge per kWh | \$ | .04148 |

SCHEDULE B-2
LARGE INDUSTRIAL

| | | |
|---|----|----------|
| Customer Charge per Month | \$ | 2,000.00 |
| Demand Charge per Month per kW - Contract | \$ | 6.22 |
| Demand Charge per Month per kW - Excess | \$ | 8.65 |
| Energy Charge per kWh | \$ | .03703 |

OUTDOOR LIGHTS

Rates Per Light Per Month:

| | | |
|---|----|-------|
| 175 Watt Mercury Vapor | \$ | 9.51 |
| 400 Watt Mercury Vapor | \$ | 15.39 |
| 400 Watt Metal Halide Directional Flood | \$ | 14.50 |
| 400 Watt High Pressure Sodium Directional Flood | \$ | 15.25 |
| 100 Watt High Pressure Sodium-Shoebox Fixture (Metal Pole) | \$ | 16.81 |
| 100 Watt High Pressure Sodium-Acorn Fixture (Fiberglass Pole) | \$ | 16.28 |
| 100 Watt High Pressure Sodium-Colonial Fixture | \$ | 13.75 |
| 400 Watt High Pressure Sodium-Cobra Head (Aluminum Pole) | \$ | 20.40 |
| 70 Watt High Pressure Sodium (Ornamental) | \$ | 9.00 |
| 100 Watt High Pressure Sodium (Ornamental) | \$ | 10.00 |
| 250 Watt High Pressure Sodium (Ornamental) | \$ | 13.25 |
| 70 Watt High Pressure (Colonial) (15 foot mounting height) | \$ | 8.35 |
| 200 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | \$ | 13.50 |
| 100 Watt High Pressure Sodium Cobra Head (Aluminum Pole) | \$ | 10.00 |
| 100 Watt High Pressure Sodium-Open Bottom | \$ | 9.53 |
| 250 Watt High Pressure Sodium-Open Bottom | \$ | 14.28 |